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FINANCIAL TIMES

Chrysler plans to reduce number of parts suppliers

Europe's Business Newspaper

Chrysler plans to cut the number of main vehicle component suppliers it uses from 1,200 at present to only about 150. The US carmaker is also expected to approve a rise in spending to some \$22.5bn for 1995 -99 compared with \$20bn planned for 1994-98. Page 20

Steel plan faces collapse: The European Commission's plan to cut steel output faces certain failure, German steelmakers say, because Europe's current recovery will make it impossible to reach agreement. Page 2

Dresdner Bank and Banque Nationale de Paris plan to make joint acquisitions in Europe, further strengthening the partnership they set up last year. They also plan to merge Spanish operations early next year. Page 21

Anti-Yeltsin protesters fly the red flag



About 7,000 communist sympathisers paraded with red flags in Moscow, chanting "Boris Yeltsin is a murderer". They were commemorating. those killed a year ago when the Russian president's tanks crushed an attack on the White House. Led by mourners carrying photographs of slain relatives, the protesters included a motley collection of communists,

neo-fascists, priests and army officers. Woolworth chief quits: Woolworth chief executive William Lavin has quit the US retailer over differences with the board. His departure comes less than five months after he was stripped of the chairmanship. Page 21

London Stock Exchange is considering amending its rules on short selling - selling securi-ties one does not already own in the hope of buying them back more cheaply - to limit market manipu-

French yard wins order: French shipyard Chantiers de l'Atlantique, owned by Anglo-French group GEC Alsthom, landed a provisional order for two luxury liners from Royal Caribbean Cruises of Miami in a deal which could be worth \$600m . Police fire on demonstrators. Indian police

they fired on Uttar Pradesh separatists. The protest ers were at Muzaffarnagar, heading for a rally in I'w Delhi about 60 miles away. Pakistan bomb blast kills six: Six people were

killed four people and wounded at least 10 when

killed and 20 wounded when a bomb exploded in a bus about 94 miles from Islamabad. Vietnam exchange: Communist Vietnam's first

stock exchange is expected to be operational by early 1995, the country's official news agency said. It will begin with small-scale trading in bonds cial banks and state companies.

Inching towards equal pay: British women earn only 79 per cent as much as men, the Equal Opportunities Commission says. The figure has risen eight percentage points since equal pay laws were passed in 1975.

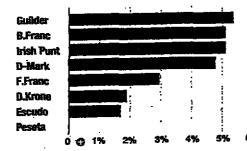
Meclar victorious: Vladimir Meciar, twice Slovakia's prime minister, won a commanding victory in weekend elections, opening the prospect of an alliance between socialists and extreme nationalists in the next government. Page 20

mia overseas: Work has started in Thailand on the first British university to be built outside the UK. Funded by Thai financiers, it will be staffed by British academics and will award degrees validated by UK universities. Page 7

European Monetary System: Rankings on the EMS grid scarcely changed last week and there was little movement on the European crosses in spite of turmoil on world financial markets. With the German elections looming, the D-Mark weakened, bringing it down below the Irish punt. The Dutch guilder slipped back slightly and French franc strengthened fractionally. Currencies, Page 87

EMS: Grid

September 30, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren-cies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Serbs block convoys: Bosnian Serbs reneged on a pledge to unblock seven UN relief convoys.

Den of thieves: Congo police traced a crime wave in Brazzaville to a gang already in prison. A corrupt guard let gang members slip out of jail, commit armed robberies and return to their cells.

Racing: Carnegie, owned by Dubai's Sheikh Mohammed, won the Prix de l'Arc de Triomphe in

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US and Japan both claim victory in trade dispute

By Michiyo Nakamoto in Tokyo, Nancy Dunne in Washington and Richard Waters in New York

The US and Japan both claimed victory yesterday after reaching a partial settle-ment of their long-running trade dispute. The deal averts the immediate threat of a trade war between the

world's two largest economies.

The agreement on opening Japan's markets to US goods and services is also expected to influence currency markets, which had strengthened the yen on fears that the two countries would be unable

to resolve the conflict. The last-minute negotiations resulted in agreement on opening the Japanese glass, insurance and government procurement markets the first results of 14 months of tough talks under the framework pact.

However, the two sides were unable to reach a deal to lower barriers in Japan's vehicle and auto parts market. Foreign producers capture just 2.6 per cent of total sales in Japan, compared with 47 per cent in the US. Japanese vehicle and auto parts exports account for 60 per cent of the US's \$60bn annual trade defi-

The US will start an investigation into Japan's replacement car parts market under Section 301 of US trade law, which could lead to sanctions against Japan in 12 to 18 months. The inquiry is being carried out under Section 301 rather than the more aggressive Super 301. under which Japan might be labelled an unfair trader.

Mr Mickey Kantor, the US trade repre sentative, said Japan's car market remained discriminatory but noted that Japan's willingness to reach deals in other areas had been a factor in withholding a Super 301 designation.

In spite of the US move, Mr Ryutaro Hashimoto, Japan's trade minister, said Tokyo was open to further discussion with the US on this issue.

However, the two sides were likely to benefit from a cooling-off period before resuming discussions, he said. In the area of auto and auto parts it is very regrettable that despite vigorous efforts in sincere discussions since July last year, the US government has decided to initiate a Section 301 investigation of the

auto replacement parts." The apparent success of the latest round of negotiations will provide the

Japanese government of prime minister Murayama with a welcome respite from one potentially explosive issue.

Meanwhile, with the immediate danger of sanctions behind them, officials were able to congratulate themselves on having averted another sharp jump in the ven's value, which could have undermined the country's anaemic recovery. US companies in industries where the two sides agreed on market-

> Continued on Page 20 Editorial Comment, Page 19

IMF split over plan to boost world reserves

Fund chief at odds with G7 nations over SDR issue

From Peter Norman Economics Editor, in Madrid

Industrial countries' plans to boost the world's monetary reserves by \$23.5bn hung in the balance yesterday after developing country members of the International Monetary Fund denounced them as insufficient. Differences over proposals for a

selective issue of the IMF's own reserve asset - known as the special drawing right - plunged the IMF's policymaking Interim Committee into what one official described as a "flaming row" yes-

At issue was a UK-US plan. adopted by the Group of Seven leading industrial nations, to allocate SDR16bn (\$23.5bn) to **E Full reports and analysis** IMF members through a complex formula intended to favour poor developing nations and former communist countries such as Mr Philippe Maystadt, the Bel-

gian finance minister and Interim Committee chairman. was last night trying to arrange a compromise, although it was unclear if he could succeed. Some officials said the IMF itself could be thrown into crisis by the seemingly arcane dispute because Mr Michel Camdessus, the IMF managing director, had

trial countries, which have a fund's board. The officials said Mr Cam-

opposed the wishes of the indus-

dessus had alienated Mr Llovd Bentsen, the US treasury secretary and representative of the fund's biggest shareholder, through his constant campaigning for a larger general SDR increase for all members of the IMF. Mr Camdessus's views had the backing of the Fund's developing country members.

He has argued for a general issue of SDR36bn to all Fund members which has been vigorously opposed by Germany, the US and Britain

They maintain that there is no global need for new liquidity of

MADRID CONFERENCE: PAGE 5 Lloyd Bentsen ..

Yesterday's meetings began hopefully enough. The discussions in the Interim Committee followed the unanimous agreement of the G7 on Saturday. although it later emerged that France had accepted the UK-US plan only grudgingly.

The SDR issue - the first such injection of liquidity into the world's monetary system since 1981 - was specially structured to benefit 37 countries, including Russia, that had joined the fund in recent years and had no SDRs clear majority of votes on the in their reserves. It was also

Continued on Page 20



Businessmen's wives help sweep a street in Bombay as part of a cleanliness drive to prevent the spread of plague News Digest, Page 3 🛛 🛌

Object detected near Estonia wreck

By Christopher Brown-Humes in Stockholm

Finnish investigators said last night they had detected a large object lying close to the sunken Baltic ferry Estonia, heightening speculation that the vessel capsized because of the outer how door.

Mr Jouko Nourteva, a Finnish marine geologist, said the object was lying 10 to 20 metres from the bow, but it was not clear if it was part of the roll-on roll-off shin.

Swedish officials have said the Estonia's outer bow door may have been ripped off in heavy seas last Wednesday, causing water to surge into the car deck and capsize the ferry within minutes. Only about 140 of the vessel's 1,050 passengers survived.

The Estonia, operated by the Swedish-Estonian company Estline, was sailing from the Estonian capital, Tallinn, to Stockholm when she sank in stormy seas. Mr Nourteva, who

Investigators said the pictures from the search vessel were of

using sophisticated sonar equip-

was seen on all four sonar pic-

tures that were taken."

located the wreck on Friday "very good quality", but added they would not be commenting on them until they had analysed ment, said: "The observation of a large object is certain because it them more closely. The ferry is lying in around 80m of water, 40k off the Finnish island of Uto.

Sweden, Denmark, Finland and As memorial services were held at churches throughout Norway have all ordered urgent Sweden, Finland and Estonia ves safety checks on roll-on roll-off terday, a Finnish search vessel ferries sailing in their waters carrying robot-mounted cameras amid reports of problems with the bow doors of other ships. yesterday filmed the Estonia wreck to try to assess why the vessel sank and the difficulty of recovering the 800 bodies believed to be inside.

Sweden's Stena Line, the world's leading ferry operator. has withdrawn one of its Irish Sea ferries from service because of problems with the bow-door

locking mechanism. It said one of

the locking pins of the 14-year-old Stena Felicity had sheared off, although there had been no water penetration. Officers on the Felicity unloaded cars and lorries through the stern doors of the 23,000-ton vessel. Stena said the problem was caused by an electrical fault.

A fault was discovered on the vessel last month after the portside outer door was found to be jammed shut, which used to operate in the Baltic Sea.

> Ferry evacuation rules questioned, Page 2

BSkyB faces early decision on

By Raymond Snoddy in London

British Sky Broadcasting will have to decide this week if it is to go ahead with a flotation before Christmas on the London and New York stock exchanges.

television venture have been in talks for the past month trying to hammer out an agreement on a flotation that would value the company at more than £4bn. Immediate agreement would allow a share issue to go ahead between now and Christmas -

the season when most new satellite dishes and subscriptions are If this opportunity is missed conditions for a flotation might

not be as favourable again until

the autumn of next year. Unanimous agreement is almost certainly needed between the main shareholders - Mr Rupert Murdoch's News Corporation; Chargeurs, the French

transport and media group; Pear-

Guide to the Week

tion rights to buy if any of the others want to sell. In addition, there are complex

tax issues involved in replacing debt with equity. Mr Murdoch, advised by Goldman Sachs, is keen to float, primarily in order to reduce debt and release capital to invest in his Asian satellite venture, Star TV. There may also be a political dimension. In the UK, a future Labour government could present News Corp with the choice of selling its national newspapers or reducing its 50 per cent stake in BSkyB. The latest date for the next general election in Britain is 1997.

Granada has frequently said it under the right conditions.

CONTENTS

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The Markets

The main obstacle to a flotation appears to be Chargeurs, which does not have a pressing need for funds and believes the value of the satellite company will rise. It may decide to hold on to its stake.

One possibility under consideration is to sell shares directly to the public, including BSkyB subscribers, as well as institutions.

At the end of June, BSkyB had 3.45m subscribers, 74 per cent receiving the television channels on dishes with most of the rest attached to cable networks. At the weekend BSkyB added five new services to its Sky Multi-Channels package and increased would sell its 13.5 per cent stake all subscription charges by £3 a month.

Money Markets ..

_ 39-42 World Stock Markets 9-12

flotation in US and Britain son, the media group that owns the Financial Times; and Gran-Pearson, advised by Lazard Brothers, has suggested it might be interested in increasing its ada, the UK media, leisure and computer services company. A flotation would be difficult to stake in BSkyB, which lifted its operating profits in the year to June from £54.1m to £176.8m organise without the agreement of all the main shareholders However, it is also not thought to Shareholders of the satellite because all four have pre-empbe averse to a flotation.

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Brussels steel plan expected to collapse

Bonn, Emma Tucker in Brussels and Andrew Baxter

The European Commission's plan to cut steel output is as good as dead, according to German steelmakers who say it will be impossible to reach agreement now that economic recovery is picking up across

German steel companies have indicated they are prepared to let the plan collapse and wait for the next recession before trying once more to agree on capacity cuts.

They are also happy to forego the aid package promised by the European Commission if the capacity cuts are agreed in full. This includes finance for redundancies, protection from cheaper eastern European imports and a quarterly system for monitoring

Any threat to the capacity cuts plan would be a big setback for Brussels, which has spent nearly two years cajoling steelmakers across Europe to cut capacity as Europe dragged itself through its worst post-

The latest development, however, vindicates the fears of some steel industry observers and private sector producers that a short-term rise in demand might be used as an excuse to postpone cuts designed to correct chronic

Last week at an EU ministerial meeting Mr Günther

minister, strongly criticised the steel industry for asking the commission to devise a rescue plan when times were hard, but abandoning it as

soon as prices picked up. "It is not good practice for the industry to enjoy support when things are bad and then to not reduce capacity when things get better," he said.

'The plan is as good as dead you can forget about further capacity cuts. We need more capacity'

He spoke shortly after Mr Martin Bangemann, industry commissioner, announced that unless the EU's steel sector had produced the minimum level of cuts in capacity by November 8, the commission would withdraw its support.

So far industry has only achieved 11m tonnes of capacity cuts and is unlikely to meet the 19m minimum required under the plan by the beginning of November. "The same thing happened

in 1985 for the first big steel crisis," said a senior commission official, "Reductions in capacity then were below what was necessary, and this led to the second steel crisis in 1991." But in Germany, one indus-Rexrodt, German economics try source said: "The plan is as

good as dead - you can forget about further capacity cuts. Take hot-rolling capacity we're working flat out. We need more capacity.

The German Steel Federation said last week that output this year was expected to be 10 per cent higher than last year and that prices were beginning to improve. It said the German steel industry had shed 140,000 jobs over the last five years, costing producers about DM4bn (£1.6bn), and that it had made all the capacity cuts which could be expected, including last year's closure by Krupp Hoesch of its Rheinhausen plant. Instead the Germans have pointed the finger at sub-sidised state-owned Italian and Spanish steelmakers for not doing their part.

make little sense given that the future of Eko Stahl, the ailing steel plant in eastern Germany, is still uncertain. Cockerill Sambre, the Belgian steel group, and the Bremen-based Hegemann group are leading the race for a stake in Eko Stahl and both have indicated they would invest in a hot-rolling mill which would probably produce about 2m

German steelmakers may

also argue that capacity cuts

tonnes annually. Last month British Steel said European demand for strip mill products had risen significantly over recent months, and was expected to continue to strengthen. But there was also a shortage of steel, due partly to temporary closures of some European blast furnaces for

Ferry evacuation rules questioned

The Estonia disaster may lead to a review of emergency procedures, writes Hugh Carnegy

he catastrophic failure to save passengers in last week's Baltic ferry disaster is set to bring demands for a review of emergency procedures on passenger vessels as well as the review promised by the International Maritime Organisation of the design of roll-on, roll-off ships.

One of the most distressing sights from the rescue operation of the Estonia, which capsized and sank with the loss of more than 900 lives, was of dozens of life rafts discovered either empty, or in many cases swamped by icy water and con-taining the bodies of people who drowned or died of exposure despite managing to clamher aboard the rubber boats. Only a handful of the Estonia's large lifeboats were even

launched.
"I can agree that the equipment was not doing its job since so many died, but it is up to the rule makers and designers to look into this." Mr Sten Forsberg, technical director of Nordström and Thulin, the Swedish co-operator of the Estonia, said at the weekend, "I am quite sure that the aftermath of this tremendous tragedy will result in stricter regulations for life-saving equipment."

still uncertain of its canacities

to absorb the technical, organ-

isational and moral conse-

quences of the disaster: but

the forced resignation of Mr

Laar has so far shown a politi-

cal nation determined to

observe a constitutional order

Estonia is by some way the

still in its infancy.

The chilling evidence from the Estonia suggests that in a case where a ship lists suddenly and heavily, the ordered evacuation of passengers in lifeboats and life rafts can quickly become virtually impossible - especially in cannot be launched if a ship is storm conditions and with panic surging through a listing more than 15 degrees. stricken ship. A spokeswoman But in heavy seas, a lesser list



The Swedish flag is draped in black for yesterday's day of mourning for the ferry disaster

may make launching impossi-ble. As both lifeboats and

many life rafts are designed to

be loaded with passengers

for the Viking Line, a Finnishbased operator in the Baltic which used to run the Estonia. said in the best conditions preparing and launching lifeboats takes 15 to 20 minutes. "But in conditions like those faced by the Estonia, the system can quickly break down," she said. Ship operators say lifeboats

before being lowered into the water, this means that even in conditions much less severe than those faced by the Estonia, evacuating passengers by lifeboat fails. The Estonia carried rubber

life rafts packed in plastic containers. The rafts were Dagens Industri, on Saturday

Tragedy overshadows PM's demise

designed to pop up to the sur-face and self-inflate once submerged below a depth of four most clearly were easily swamped by the high seas, as water washed in through the door in their weatherproof covers. One survivor said the raft he clambered on to was upside

The Swedish newspaper,

executive at the Danish com-pany Viking Life-Saving Equipment, which supplied life rafts to the Estonia, as saying the rafts on the ship were 14 years old. He said newer, self-inflating and self-righting rafts were available, but ship owners were deterred from buying them by costs 30-40 per cent

greater than standard rafts.

Mr Harri Kulovara,
operations chief for the Finnish-run Silja Line, said: "I believe the rubber life rafts can be more effective than the traditional lifeboats - they are much easier to launch and use. But they must be launched

Questions have also been raised since the Estonia disaster about the way ferry operators brief passengers on emergency procedures. The requirement under IMO regulations falls well short of the obligatory safety demonstra-tions made on airlines.

No lifeboat drill is required on the 12-14 hour overnight sailings that are the common duration on Baltic routes and none are offered by the

Swedish and Finnish operators say their crews are regularly drilled to cope with emergencies. They make public announcements to stress to passengers the importance of reading the emergency procedure notices and run videos on passenger TV services.

However, as the Estonia catastrophe showed, even the best prepared crews and passengers can be quickly overcome when a ship begins to list

German seeks new **EU** cartel authority

By Judy Dempsey in Berlin

European anti-trust decisions should be made by an independent authority instead of the European Commission in order to reduce political interference the head of the German cartel office has told the Financial

Mr Dieter Wolf said he hopes posal on the agenda of the Intergovernmental Meeting scheduled for 1996. Mr Wolf, a staunch advocate

of reducing political influence in mergers and anti-trust decisions, said the current decision-making structures in Brussels were not transparent enough and were often susceptible to "political lobbies".

"I am not blaming the Commissioners for this. But it is a consequence of the structure of decision-making. Every com-missioner has different tasks to fulfil. But he is also a politician. His understanding of the task is also a political one," said Mr Wolf.

What concerns the cartel office, which has often been

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Wolf: campaigning against political interference

criticised for not taking a more robust attitude towards mergers within Germany, especially in the retailing and media sectors, is that there are too many interest groups in Brussels lobbying behind the scenes on anti-trust decisions. "It is sometimes unclear why some merger decisions are made." he said, adding that "Brussels wants to keep the monopoly of granting exemptions from findividuall cartel prohibi-

"Merger decisions contain sharp interventions from the state into the market. Take the case of capital allocation," he said. "If there is a proposal for a merger between a French and a German company it is clear [the decision] has direct repercussions on where the investments will take place. It involves getting influence on

office, which he claimed was

becoming increasingly attracted to the idea.

the flow of capital. Maybe this is very attractive and seductive for politics. But that is why it makes it all the more necessary for an independent body to decide on the basis of law." Mr Wolf, however, denied suggestions that the independent body would be modelled on Germany's own cartel

"completely independent from political interference". Instead, as a first step he proposed that it be controlled by the European Court in Luxembourg. but added that "the need and possibility for it to overrule a decision for reasons of public interest would have to exist". Mr Wolf conceded that Germany had not yet received any substantial backing for its proposals but added that France is

fter last week's tragic Ocober 1992, he and Mr Siim Kallas, chairman of the Estofall of Mr Mart Laar, nian central bank, sold nearly prime minister of the country Rbs2 bn which had been for two years, has been sidedumped in the bank just lined. The sinking of the ferry before the country adopted its Estonia revealed a country own kroon currency - to

Chechnya, the rebel Russian republic. It was done secretly. by intermediaries who were close to the prime minister, and it came to light only this year: it was underscored by the revelation of another secret Laar deal: to buy small arms from Israel for Estonia's

Soviet states in sloughing off a forced Sovietisation, and Mr Laar, in what was by postcommunist standards a long premiership, was the central figure in the success. Dr Werner Unger, the former German ambassador to the European Commission, in Tallinn last week to advise on the country's efforts to accede to the European Union, ran through checklist of achievements: "A pluralistic democracy, a the new currency; and frankly, market economy, liberalised the money helped us enortrade. 60 per cent of enterprises privatised. GDP growing, unemployment [1.8 per cent] much lower than western Europe, no budget deficit, public debt 5 per cent of GDP,

goods and an influx of foreign investment. Wonderful." Why on earth should a prime minister go after all of that? Because he was seen to conceal vital matters from parliament, a grave matter in a plain-speaking state. Soon after his accession to office in

exports growing, imports

growing more rapidly because

of the purchase of investment

have been pressing hard on low unemployment."

Laar concealed the deal, and may have allowed intermediaries to benefit (there has been no public charge that he benefited himself) and thus damaged a still fragile democratic system. His defence, vigorously put in an interview, is that "there was no time for discussion: Kallas and I were the monetary committee charged with all matters affecting the introduction of

. The three-to-one vote against him in the parliament last week be interprets as a signal that the parties in coalition with his Pro Patria group, unable to sustain the hard pounding attendant on severe observance of a tight money programme, were seeking ways out. The social democrats, whose defection sealed his fate, left because they could not get a rise in the low neo-liberal Mr Laar, issues like these are fundamental. "We the people out of work to get other jobs. We won't increase the benefit except to those who take training for new jobs. And you see the result: The two institutions which

have done most to ingrain the the Laar cabinet and the central bank - remain very largely confident that they have shorn up capitalism against any future ruin.

mously in making the

Soviet mosaic has such a selfconfident cadre of reformers emerged. Mr Enn Teimann, the deputy chairman of the bank, says that "the legislation of the country [which forbids the central bank to lend money to the budget] will not allow irresponsibility. It is possible that politicians can change this but don't fear it."

The prime minister, who had in parliament warned that Estonia was still a fragile



John Lloyd talks to the politician whose policy success was clouded by secret deals Nowhere else in the postlism, appeared to largely dis-count that: "It would be very hard. There has been such a change of character in the peoule. The old communist nomenclatura has no base."

Mr Laar's optimism is bolstered by the fact that his partner in the concealed rouble deal, central bank chairman Kallas, has emerged as the candidate of the right for prime minister, and is supported by some of those who passed the vote of censure on the prime minister.

very much divided: the only candidate talked of is Mr Titt Vahi, briefly prime minister before Mr Laar, who, says the latter, left him a legacy of high inflation and an untackled structural crisis. "For the first months I had an appointment book which was full from morning to night with meetings with directors. who wanted the cheap credit they had always got. I told each of them 'you cannot get

Choosing a new prime minister is the task of Mr Lennart Meri, the president - a role with limited powers which. Mr Laar (no ally) says he constantly tried to exceed. Mr Meri, consumed last week with the dolorous task of giving public representation to his country's loss, will this week resume the talks with faction leaders from which a candidate should come. His own preference is for a centrist figure: Mr Kallas is not that. Estonia may be in for a change of course: but it will not be

Walesa makes his peace with Solidarity union

By Christopher Bobinski in Warsaw

President Lech Walesa made peace with the Solidarity trade union movement and attacked Poland's centre-left coalition government at the weekend for slowing down reform, in the opening salvoes of what promises to be a long camnaign to win him a second term in elections due in November 1995. "The left wing's paw has grown too large," he told sceptical delegates at Solidarity's annual congress. Mr Walesa led the movement to victory over the communists five years ago but the union last year refused to invite him, for failing to support the movement's shop floor aims and being "too soft" on the former communists, the Left Democratic Alliance (SLD). The SLD has been in government with the PSL farmers' party since the autumn of 1993.
"Old methods of government are

returning, Poland faces the threat of stagnation," Mr Walesa said as he appealed to the union to agree to become part of a federation of Solidarity-based parties to win parliamentary elections in 1997 and next year's presidential ballot. Mr Waldemar Pawlak, the prime minister, went on television to say

Soon after the president's speech

that Poland's Mass Privatisation

Scheme (MPP), covering 460 state sector enterprises, would be going

for delaying the scheme, under which the Polish people are to be given shares in specially established investment funds. tence for 10 years, are in turn to be handed equity in the 460 companies.

ahead ahead. Mr Pawlak has

recently come under attack from

opposition politicians and the media

cance far outweighing its actual

impact on privatising Poland's 5,000

The funds, which will stay in exis-Mr Pawlak, however, dismissed The scheme has acquired a signifi-

United

or so state sector enterprises as both the World Bank and the IMF have made disbursement of loans, helping to finance Poland's recent London Club commercial bank debt reduction deal, conditional on the MPP

opposition warnings that Poland's standing with these institutions would plummet and the debt agreements collapse as a result of the delay since July, Instead Mr Pawlak

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explained he was worried that for eign fund managers were being given too great a role in the

He also expressed his view that the enterprises which were to be privatised through the scheme had been undervalued.

Once these doubts had been removed the plan would go ahead, Mr Pawlak said. A cabinet meeting is to examine the programme tommorrow.

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INTERNATIONAL NEWS DIGEST

Delhi plague fears recede

has hit India, are to re-open tomorrow amid claims by health officials that the disease is being brought under control. But Pakistan, meanwhile, has banned entry of foreign nationals travelling from India because it fears spread of the plague.

The Pakistanis said all travel between India and Pakistan had been suspended except for returning Pakistani nationals, who will be subject to quarantine. Pakistan put 28 foreign nationals in quarantine at the border village of Wagha at the weekend, along with 320 returning Pakistanis. Officials said they would install telephone lines for the stranded travellers, who included 12 Malaysians and nationals from Iran, Morocco, Canada, Bahrain, Germany, Britain, Australia, South Africa, the US and Japan.

Delhi authorities decided to re-open schools because, they said, medical reports indicated a very high proportion of patients suspected of plague were in fact suffering from other illnesses. The number of suspected cases in India rose by 1,600 at the weekend to just over 4,050, according to the government's National Institute of Communicable Diseases. The official death toll is just over 50. Stefan Wagstyl, New Delhi

Tension high in Indian state

Political tensions in the Indian state of Uttar Pradesh were running high last night, after police shot dead four demonstrators and injured 10. The demonstrators were on their way to New Delhi for a rally in support of demands for a separate state for the northern hills of Uttar Pradesh, where many feel alienated from the plainsmen who dominate the state. The clash was at Muzzafarnagar, 200km from Delhi. The Delhi rally of 50,000 people also turned violent when students, who have led the statehood campaign, protested against the presence of national politicians on the speakers' platform.

Demands for a hill state have been revived after a decision by the Uttar Pradesh administration, led by lower caste partics to represent lower recommend.

Demands for a hill state have been revived after a decision by the Uttar Pradesh administration, led by lower caste parties, to implement laws reserving up to 50 per cent of government jobs and college places for lower caste Hindus. The hill districts, where upper caste Hindus dominate, erupted with protests. The conflict has thrown the state administration into disarray and has embarrassed the Congress (I) party of Mr P V Narasimha Rao, the prime minister. Stefan Wagstyl, New Delhi

Turkey in threat to Greece

Turkey has threatened Greece with war if Athens extends its territorial waters in the Aegean into Turkish territory, foreign minister Mr Mumtaz Soysal said yesterday. Mr Soysal said he issued the warning to his Greek counterpart, Mr Karolos Papoulias, while both were at the UN General Assembly last week. "The Greek foreign minister told me that [Greece] had the right to extend its waters to 12 miles. I said that would lead to very serious consequences. We let it be known that we didn't want war but would go to war in such a situation." Mr Soysal has gained a reputation for being tough on Turkey's traditional rival, Greece, since becoming foreign minister in July. Though Nato allies, Turkey and Greece came to the brink of war in 1987 in a row over mineral rights in the Aegean. Reuter, Ankara

Vietnam exchange to open

Vietnam's first securities exchange is expected to open early next year, the official Vietnam News Agency reported at the weekend. Quoting the central State Bank, it said the exchange would start "on a very small scale", with trading in bonds issued by the government, local authorities, commercial banks and state companies. Trading in shares of privatised state companies, only a handful of which have so far issued stock to shareholders, will follow later. The report confirmed that the State Bank and Finance Ministry's joint committee on setting up the exchange intended to go ahead despite the slow pace of privatisation. Vietnam, which currently has no secondary markets, sees the stock exchange as a vital part of market-oriented reforms launched in the late 1980s. Reuter, Hanoi

Calls to clip Crimea's wings

Crimea's ongoing political struggle has prompted growing calls in Kiev for Ukraine to revoke the peninsula's status as an autonomous republic. If the crisis continues, Kiev must take direct control over Crimea, urged Mr Vladimir Mukhin, the Ukrainian parliament's defence commission chairman. He was backed by Ukraine's national security adviser, although Mr Volodymir Horbulin urged time to let Crimeans resolve the problem without "tough measures". Crimea's parliament voted on Thursday to strip President Yuri Meshkov of most powers. When this happened last month Mr Meshkov suspended parliament but relented after two days. The struggle stems from disagreements over economic policy, cabinet appointments and speed of reintegration with Russia. Ukraine's government has taken advantage of the internal struggle to exert more control over the region. Mathew Kaminski, Kiev

Radical right leader deposed

Mr Franz Schönhuber, co-founder and leader of Germany's extreme right-wing Republicans, was deposed at the weekend by a unanimous decision of his national executive. This follows a series of election defeats and secret negotiations between Mr Schönhuber and his erstwhile arch rival, Mr Gerhard Frey, leader of the equally extreme Deutsche Volksunion (DVU). The 71-year-old Republicans' leader is the only nationally known figure in the party, and be immediately announced his determination to fight the move, which he said was illegal and contrary to party rules. Quentin Peel, Bonn

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Russian currency concerns deepen

By John Lloyd in Moscow

The fall in the rouble is "very dangerous" to the Russian government and could push reform off course because the government would lose the fragile confidence it created in the country earlier this year, according to the senior official concerned with the Russian

Mr Sergei Alexashenko, the deputy finance minister, said, however, that his government was still prepared to take "unpopular" measures in order to attract international financial support for a reform programme.

In an interview with the FT, Mr Alexashenko said that there was very little the government could do to stem the flight from the rouble to the dollar. Mr Alexashenko said that the central bank had spent more than \$2bn (£1,2bn) defending the rouble in the past two to three months and on his calculation had only \$4bn-\$4.5bn left — "and after that, what, clearly, there is nothing."

nothing".

The rouble has lost more than 16 per cent of its value against the dollar in the past week and at close of trading on Friday stood at Rbs2,633 to the dollar.

The deputy minister said that "there will be a drastic rise in the inflationary expectations of the people, and of course an increase in inflation itself — and in the medium term an increase in government expenditure. But the psychological result will be the mistrust of government policy and a continued outflow of funds from the rouble to hard currencies."

Mr Alexashenko - a young economist who was formerly in the "expert group" created by Professor Yevgeny Yasin, now a presidential adviser – has emerged as a key player in the battle to keep the govern-ment's tight money strategy on course and to argue with the international financial institutions for increased support. Brought into the government less than a year ago, he says that "the government of (prime minister Victor) Chernomyrdin is much tougher than (former prime minister Yegor) Gaidar's. This prime minister says No to everything."

Speaking in a break between hectic talks on the 1995 budget — already delayed in its promised delivery to the parliament — he said the assumptions for that budget would also be thrown into confusion by a continuing plunge in the value of the rouble. "We were assuming a certain dynamic in the exchange rate, we did not

expect such a devaluation.
"If this continues we will have to change the budget's parameters – and cut down on expenditure. The process will be very hard."

The International Monetary Fund, now at its annual conclave in Madrid, should "make clear its view one way or the other," said Mr Alexashenko. "For two years we had a lot of promises but little aid delivered.

"Now I believe the government is ready to take even unpopular decisions — but I'm not sure that either the IMF or the Group of Seven are ready to say what measures they will support," he said.

Slovakia faces a shift to extremes of government

By Vincent Boland in Bratislava

If Mr Vladimir Meciar becomes prime minister after the weekend's general elections it will shift Slovak politics away from the centre ground occupied by the outgoing government and towards the extremes of both left and right.

The most likely new coalition will be between HZDS, the socialist Union of Slovak Workers (ZRS) and the extreme nationalists of the Slovak National Party (FNS), which between them could have \$2 of the 150 seats in parliament. This presents Mr Meciar with a formidable hand of cards.

While Mr Meciar's appointment as prime minister is not yet guaranteed, observers in Bratislava said yesterday there were no other likely candidate among senior HZDS officials. Mr Meciar's outsize personality dominates the party.

If he is appointed, it leaves the ways close for him to carry

If he is appointed, it leaves the way clear for him to carry out his campaign promises to undo voucher privatisation, curb the growing influence of Slovakia's ethnic Hungarian minority, and seek to oust President Michal Kovac, the man who helped force him out of office as prime minister six months ago.

The outgoing government of

The outgoing government of Mr Jozef Moravcik made hesitant progress towards restarting voucher privatisation in Slovakia, and began a process of rapprochement with Hungary over the issue of Slovakia's 560,000-strong ethnic-Hungarian minority, which is seeking greater autonomy over educational and cultural affairs.

HZDS is deeply suspicious of voucher privatisation because





Back in driving seat? Ex-prime minister Vladimir Meciar yesterday after his party had polled a third of the votes

it allows control of state assets to pass to what Mr Meciar terms "anonymous persons". His potential coalition partners are of a like mind, the ZRS fearing huge job losses as companies restructure under new ownership, and the SNS wanting complete state control over the economy as in the commu-

nist era.

Mr Meciar might have difficulty in reversing the voucher
programme, though he is
expected to try. Nearly 1m

Slovaks have bought vouchers which they can exchange for shares in a range of state companies the outgoing government has earmarked for inclusion in the programme.

"He can certainly interrunt

"He can certainly interrupt it, but he may not be able to stop it," one observer said. "It will be difficult to buy back all those vouchers."

Both HZDS and SNS are

fiercely opposed to greater autonomy for ethnic Hungarians, who make up more than 10 per cent of Slovakia's population, regarding it as tantamount to secession. Relations with Hungary have been cool since independence, and progress on drafting a comprehensive agreement between the two countries, begun under Mr Moravcik and tentatively scheduled for be ready next February, could now be in jeopardy.

Mr Meciar's greatest problem may yet lie in his relations with Mr Kovac. Mr Kovac orchestrated the campaign that ousted Mr Meciar in March, alleging widespread corruption in privatisation. In the last hours of his administration Mr Meciar approved more than 40 deals to sell state assets to their managers. The bitterness in relations between the two men, once allies in HZDS, will make co-operation extremely difficult.

It is still possible that the ZRS, with 13 seats, will decline to go into coalition with HZDS. It seems unlikely that the party's leader, Mr Jan Luptak, would join a coalition with Mr Meciar because of his opposition to widescale privatisation, but he may yet agree to support such a government informally.

In that case Mr Moravcik could also count on the support of the ethnic-Hungarian parties, which will have 18 seats. A coalition of the DU. the FDL and the Christian Democrats with the support of the ZRS and the Hungarians would give Mr Moravcik 82 seats but a more unwieldy coalition than Mr Meciar could put together.

Whatever the make-up of the next government this election has failed to bring Slovakia much-needed stability.

Biology weapons talks to go ahead

By Frances Williams in Geneva

Negotiations on measures to strengthen the 1972 treaty which outlaws biological weapons will start next January, treaty members decided at the weekend.

After two weeks of difficult talks in Geneva, some 80 governments agreed to establish an ad hoc group to draft proposals on verification, anticheating measures and other compliance issues.

However, industrialised and developing countries could not agree on how quickly to advance. The industrialised countries want the group, open to all 131 treaty members, to push on with a draft protocol for approval at the next treaty review conference, in 1996. But some developing countries want to proceed more cautiously.

They have succeeded in qualifying the group's mandate in ways that would allow it to produce non-binding recommendations or to delay completion of its work beyond 1996. Thus the stage is set for arduous negotiations when the group convenes in January.

group convenes in January.

Unlike related accords, the nuclear non-proliferation treaty and the chemical weapons convention, the biological weapons convention has no provisions against chesting.

provisions against cheating.
Third World countries are worried by the threat which tougher measures to enforce compliance could pose to technology transfer and development of their own biotechnology industries. They also fear intrusive inspections of military facilities.

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ElvH lim States

EU hopes for Uruguay Round

European Commission officials last night predicted that the EU would be able to ratify the Uruguay Round accord before the end of the year, ahead of the official deadline. The news will be welcomed by governments worried that the EU would not meet its side of the billion-dollar trade agreement on time. It will also send a positive signal to the US, whose own ratification procedures are hampered by uncertainty.

An announcement by the European Court of Justice that it would give its opinion on who has the power to negotiate in certain trade areas on November 15 ended a dispute between the Council of Ministers and the Commission over the legal basis for ratification. Officials, who were not expecting the judgment so early, said this allowed enough time to ratify before January I. It has also emerged that the Council of Ministers has agreed to send the necessary paperwork to the European parliament to allow it to be consulted ahead of the deadline. "Both reasons make it all the more likely that we will come out in time," said the Commission.

The Commission asked the court for advice after member states argued that it did not have the authority to negotiate in areas such as services and intellectual property rights where no trans-EU legislation exists. Fears that the court would not produce a verdict early enough prompted the German presi-dency of the EU to work out a code of conduct under which the Commission would for most purposes be able to conduct trade negotiations, leaving member states to have their say in a few special circumstances. *Emma Tucker*, *Brussels*

More Japanese car exports

Japan and the European Commission have revised upwards their forecasts for exports of Japanese cars to the EU by 9,000 cars, a rise of 1.3 per cent against the 1993 agreement.

The increase formed part of an agreement in July 1991 allowing for a transitional period during which time Japan will monitor exports to the EU and the five member states that previously restricted imports. It reflects the unexpectedly higher number of vehicle registrations this year. The Commission and the Japanese government now predict that demand this year will increase this year by 4.4 per cent. The forecast of exports to the five member states that previously restricted imports are France, 78,500; Italy, 47,000; Portugal 39,500; Spain, 35,500; UK 184,600. Emma Tucker, Brussels

Contracts

Samsung Aerospace Industries and 31 other South Korean companies have formed a consortium to make commercial aircraft with China. A 100-seat pilot aircraft will be manufactured by 1998 at a cost of \$1.2bn, to be shared between the Chinese side and the South Korean consortium. Members of the consortium include Korean Air, Daewoo Heavy Industries, and Hyundai Corp's Hyundai Technology Development. Reu

Bombardier, the Canadian aerospace and transport equipment group, and SNC-Lavalin, Canada's biggest engineering group, will provide a C\$961m (\$717m) 30km, 25-station light transit system for Kuala Lumpur, for completion in 1998. Bombardier-SNC will build 70 vehicles and be responsible for system controls and rails. Renong of Malaysia will build the glideway and stations. Bombardier-SNC's share of the total contract is almost C\$600m. The transport system will be based on Vancouver's Skytrain. Robert Gibbens, Montreal

■ Philippine food and beverage giant San Miguel plans to build an aluminium can plant and is negotiating with Japan's Yamamura Glass to take part in the project. The plant, which SMC hopes to start building next January in General Trias Cavite province, will have a capacity of 420m cans a year and is expected to be on stream by 1996. About 50 per cent of committed capacity would be exported to Hong Kong, China, Vietnam and Japan. Reuter. Manila

■ Siemens of Germany and Ansaldo SpA have won acontract to supply electrical equipment for 30 high-speed locomotives in worth a total of DM220m (\$142.8m) with Siemens' part worth some DM50m. AFX, Erlangen

■ Japanese trading company Kanematsu has contracted to export 200,000 tonnes of Australian coal to China. The coal will be shipped next month for use by a thermal power plant in

southern Guangdong province. *Reuter, Beijing*China's steelmakers, facing rising stockpiles and falling prices at home, plan to export more. However, exports in the first eight months of this year totalled only 930,000m, against a target of 2m for the year. Domestic steelmakers reduced output because of rising stockpiles. Reuter, Beijing.

US persistence pays off at trade talks

After a 20-hour negotiating marathon, US trade officials were too weary to celebrate their success in reaching "significant trade agreements" with Japan in the areas of telecommunications, medical technology, insurance and flat

"You wouldn't want me to fall under the table right before your eyes," said a hoarse Mr Mickey Kantor, the US trade representative, as he prepared to go home.

But first he pulled a

dog-eared sheet of paper from his shirt pocket and read his "instructions" from his deputy. Ms Charlene Barshefsky. "Three things we are going to get," he read. "Annual prog-ress in [exports] value and [market] share. Significant increase in access and sales, using recent trends to evaluate the extent of the process

This was the formula agreed

months Japanese officials called it "managed trade" and skilfully organised worldwide sentiment against it. The Europeans, whom Mr Kantor had hoped to count as allies, stood aside. In the end, the deals contained no "numerical targets" or fixed market shares. In fact, Ms Barshefsky said, US government and industry wanted no more than rising "trend lines". They did not want specific targets setting ceilings on

case of semiconductors. The successful Japanese public relations offensive emboldened the bureaucracy and delayed agreement, said one former US official. But fears of unrest on the currency markets, the return to power of old-line Japanese officials and concern about damage to the overall US-Japan alliance ultimately prevailed.

foreign market share as in the

The US got by no means everything it wanted, but the gains were solid enough to cede to Japan a victory of sorts on vehicles. Efforts to get comfor the results-oriented trade pacts the US has been demanding for the past 15 months. For mitments from Japan's private sector for increased purchases of car parts were set aside. Mr

trade action against Japan's regulatory barriers to sales of foreign car replacement parts. The action will come under Section 301 of US trade law, rather than the much-loathed "Super 301", which "may have been the wrong signal at the wrong time", said Mr Kantor. There is little difference between the provisions - both require a year of negotiations

Kantor, however, will bring a

According to US officials, the final throes of the talks were gruelling, repetitious and marked by some embarrassing incidents of recriminations by a senior Japanese official towards his juniors. Although it was held in Washington, the dozen US negotiators involved were greatly outnumbered by the Japanese delegation. Eighty were lodged at the Wil-

to end specified trade barriers, with the threat of threaten

sanctions if all else fails - but

a simple 301 is considered less

lard hotel alone. The achievement should go a long way towards boosting Mr Kantor, who has lately has been criticised for moving too Round pact through Congress.
"Kantor has proven once again to be the guy who gets results," said Mr Clyde Pres-towitz, one of the administra-

tion's outside advisers on Japan. "I don't know how much this will effect the trade deficit but it will make a significant difference for companies in these sectors." Mr Kantor sought to gain some credit for President Bill Clinton, who he said had been "clear, precise and unwavering" in his instructions. Then

strategic issues. "It involves co-operating together to create global

more open trade, political and

he talked of the "enormous common agenda" shared by the US and Japan – implemen-tation of the Uruguay Round. moving the Asian Pacific regional trade group toward

growth to raise standards of living, not only in our own countries but around the world." This package of five trade deals takes both countries "a giant step" toward those goals, he said. Editorial Comment, Page 19



US trade representative Mickey Kantor announces the trade agreements with Japan over the weekend

IMPASSE ON CAR DEALS RANKLES IN US

The failure to reach an accord on further opening Japanese markets to US vehicles and parts soured what was otherwise a highly positive response by US companies to the outcome of the talks, Richard Waters writes from New

Ford, the US's second-biggest motor manufacturer, said that failure in such a significant area of trade "raises questions about Japan's seriousness" in opening its markets. It added that it would press the administration to monitor how

Japanese companies operate in future in both the Japanese and US car markets, and called for a presidential commission to "recommend further action". Like other US manufacturers, Ford claims that some structural aspects of the Japanese car market act as hidden barriers to

For instance, the fact that Japanese manufacturers have financial stakes in many dealers makes it difficult for foreign manufacturers to find dealers to take on their products, Ford said.

JAPANESE TAKE PACTS IN THEIR STRIDE

Japan's business community had resigned itself to some market opening agreement before the partial accord covering US-Japanese trade issues was announced, Michiyo Nakamoto writes from Tokyo. Even the car industry, which could be adversely affected by the US decision to initiate a Section 301 investigation of the replacement parts industry, took the latest US verdict in its stride.

"Once the business environment improves it will be possible to prove that the Japanese

Where the agreements came

Nancy Dunne on the US-Japan pacts reached at the weekend

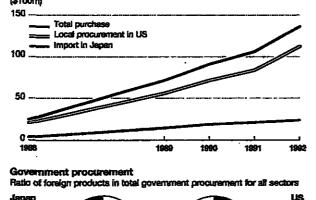
market is not closed," one industry official commented.

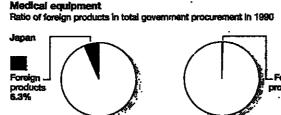
In the glass industry there was relief that the talks did not result in sanctions, as well as a general sense that their claims about the openness of the market had been vindicated. The main concern for Japanese business has

not been so much the impact of likely sanctions, which has never been considered significant, as the adverse effect another rupture with the US could have on currency rates.

US-Japan: trade differences

Purchase of US auto parts (\$100m)





Telecommunications

a series of market-open-

ing trade agreements at

the weekend, averting a threat-

ened trade war between the

world's two largest economies.

The US administration,

Two pacts were agreed. One covers the sale of telecommunications products and services to Japanese government agencles (a \$2bn-a-year market) and the other, sales to Nippon Telegraph and Telephone, which is 65 per cent government-owned, a market worth \$9bn (£5.6bn) a

The pacts are similar. Japan agrees to provide early.

The US and Japan struck detailed information of pro-to publish annual information a series of market-open-curements; to allow foreign on the top 10 medical technolsuppliers input on purchase plans before tenders are finalised; to use international standards when available; to

which had been pressing Japan source contracts, which tend to to open key markets, hailed go only to Japanese companies; and to institute a modern "overall best-value" bid evaluathe accords - covering tele-communications, medical equipment, insurance and tion system. glass - as landmark deals to The US promises its own result in billions of dollars of industries to closely monitor the NTT pact and consult with Japan, as needed. new sales of US goods and services. Agreement was reached in the following sectors:

reduce the number of sole-

Medical equipment

For the \$2.5bn-a-year medical equipment government procurement market, the pact provides for the use of open and transparent procedures and decisions based on "overall greatest value" of bids. This means highly sophisticated medical technology made by foreign companies will not be automatically excluded because of their initial price.

Japanese hospitals will have

ogy products it plans to buy that year. The pact also has a comprehensive complaint mechanism for dealing with "unfair" bids.

Vehicles and parts The US sets aside many of its

demands and brings a unilateral trade action against the regulatory regime for car replacement parts. This will become lucrative as foreign sales gain market share in Japan. The licensing process blocking imports is "so obvious and pernicious that it cries out for relief, Mr Kantor said.

Insurance

Japan promises more transparency in its regulatory system, import procedural protection, specific liberalisation measures and strengthening of anti-trust policy. It also agreed to introduce the broker system to diversify and promote competi-

Japan has the world's second largest insurance market, with approximately \$320bn in premium income annually; foreign companies take only a 3 per cent share of this. The government agreed to implement a three-stage deregulation plan to expand sales opportunities for foreign companies.

Flat glass

A \$4.5bn-a-year market, dominated by three big producers with separate, tightly controlled distribution arrangements. Japan's glass window market is the second largest in the world, and the US has less than I per cent of it - compared with global shares exceeding 25 per cent in Europe and Latin America. US and Japan have agreed to "a set of principles" and will seek to flesh out the agreement in the next 30 days. Failing that, the US will then bring a unilateral trade action against Japan's flat glass market.

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Gatt ruling on vehicle taxes goes against EU

By Frances Williams in Geneva and Nancy Dunne in Washington

A dispute settlement panel of the General Agreement on Tariffs and Trade has ruled in favour of the US on most of the EU complaints brought against US laws regulating vehicle fuel economy and luxury taxes.

The decision is also a setback for US opponents of the new Uruguay Round deal, who have argued that the "faceless bureaucrats" in Geneva will force the US to change environmental and consumer laws

The panel ruled in the EU's favour e issue - that accounting rules, established under the US Corporate Average Fuel Economy law (Cafe) were inconsistent with Gatt.

Malaysia, China, Korea, Singapore and Thailand are asking lawyers to look into a decision by the European Commission to impose duties on televisions sold in the European market, writes Emma Tucker in Brussels

The decision was announced at the ekend after a year-long investigation into allegations that these countries were "dumping" their goods in

representative, said he would not ask

Congress to change the rules, as they "do not have any actual economic impact on EU auto manufacturers and therefore no trade damage results". In a written statement, US officials said Gatt had found for the first time that conservation measures "could excuse Mr Mickey Kantor, the US trade a country's law that was otherwise

Europe, or selling them at prices helow those in their home markets. The commission argues there will be no "dramatic" increase in prices from the duties, which range from as little

as 3.1 per cent to 29.8 per cent.
The investigation was friggered by complaints from six European producers: Thomson of France, Dutch electronics group Philips, Gründig,

inconsistent with the Gatt". Gatt set up an independent disputes panel in May 1993 to examine the EU's allegation that US car taxes discriminate against European exports. The EU claimed European car makers were paying a disproportionate share of the three taxes - two of which penalise high fuel consumption, while

and Nokia of Germany, Bang & Olufsen of Denmark, and Italy's Seleco. Its findings showed the market share of the five countries under investigation had increased from 9.9 per cent in 1989 to 19.6 per cent in 1992. Over the same period, in spite of the fact that the market was growing, the EU industry's share had

the third is a luxury tax on cars costing over \$30,000 (£19,000). Brussels had said the total revenue

dropped from 36 to 28 per cent.

of the three taxes levied in 1991 was \$558m, of which \$494m fell on European cars. European manufacturers paid 100 per cent of penalties under the Cafe law, 80 per cent of the "gas-guzzler" tax, and 80 per cent of the

luxury tax. European cars had just 4 per cent of the US car market. The EU argued that Cafe payments

in discriminated against European luxury car makers, as they were based on the sales-weighted average fuel consumption of all models produced. Thus US producers who make cars in a range of sizes, and Japanese makers of mostly small, fuel-efficient

cars, do not incur penalties. The Cafe limits for company cars set an average fleet standard of 27.5 miles per gallon (8.8 litres per 100km) and vehicles with a worse mileage are taxed. The "gas-guzzler" tax penalises other passenger cars that achieve less than 22.5 mpg. Friends of the Earth in Washington, an environmental group, says the Cafe law has led to savings of over 2.5m barrels of oil a day.

US and UK show best drugs markets growth

growth in the six months to June. This was nevertheless a

sharp fall on 1993's average of 6 per cent growth, reflecting

France's determination to maintain low prices in the face

of its high consumption rates.

Italy, which reformed its health policies at the start of

the year, is now the only coun-

try in the top eight not to show

The UK and US have consolidated their positions as the fastest-growing pharmaceuticals markets among large developed countries during the first seven months of 1994,according to figures published today by IMS International, the specialist market research

The huge north American market grew by 7 per cent to \$29.9bn in prescription drug sales compared with the first seven months of 1993. This compares with average growth of 5 per cent for the whole of last year, suggesting that efforts by insurers and employ-ers to cut their healthcare bills were having little effect on the

The second biggest market is Japan, which imposed widespread price cuts in April this year. Sales to July grew just 1 currency terms, compared with said. Italy's drugs bill fell 2 per an average 6 per cent growth cent in 1993 and 7 per cent in an average 6 per cent growth the seven months to July. The In the UK, one of the smaller increased decline was the result of government reforms markets, sales grew 8 per centto \$3.1bn, a small fall from in January this year which cut

1993's average of 11 per cent, possibly as a result of price subsidies on many drugs. Germany's drugs budget cuts imposed by the govern-ment at the end of last year. reforms were enacted in 1993, leading to a fall of 9 per cent in spending in that year. The first France, which has for many ars had low drug prices but seven months of 1994 showed a high per capita consumption, saw an above-average rise in 6 per cent rise, perhaps because doctors and patients sales in July. Sales for the first were learning to exploit the seven months grew 1 per cent to \$6bn, compared with zero loophole that hospital drugs

> By therapeutic area, central nervous system drugs, includ-ing anti-depressants, extended their lead as the most popular category in the US. This may be because of continuing publicity surrounding Ell Lilly's best-selling drug, the anti-de-pressant Prozac, which has been more popular than expec-

were exempt from last year's

By David Horovitz

Israel's finance minister, Mr Avraham Shochat, predicted a significant boost for the Israeli

investment as ban ends companies reassessing their positions. Some analysts claimed that national economy

Israel is expecting a rise in foreign investment following this weekend's announcement by Saudi Arabia and the other five members of the Gulf Co-operation Council that they will no longer boycott compa-nies that trade with Israel.

The GCC decision to end the so-called "secondary" and "ter-tiary" boycotts on international companies that trade directly and indirectly with Israel was announced after talks between the Mr Warren Christopher, US secretary of state, and GCC foreign ministers in New York. The GCC states also promised to support any move in the Arab League to cancel the continuing direct boycott of trade with Israel by much of the Arab world.

could expect a 1 to 2 per cent boost in annual growth. Others calculated that the cumulative damage to the Israeli economy of the Arab boycott over the decades amounted to between

Israel expects boom in

\$20bn and \$40bn. The GCC decision was imme diately attacked by the Syrian, Lebanese, Iranian and Libyan governments, with Syria's for-eign minister, Mr Farouq a-Shara, arguing that the move was "not timely". The boycott is administered from offices in Damascus.

The Syrian criticism undermined the political significance of the move. Mr Christopher had been trying for months to win Syrian backing for an end to the boycott, saying this would create a more positive atmosphere in Israel, enabling Mr Yitzhak Rabin, prime minamong the Israeli electorate for peace moves with Syrian

involving territorial compro-mise on the Golan Heights. The Israeli media high-lighted GCC commitments soon to allow direct mail to and from Israel, the entry of tourists and businessmen with Israeli stamps in their pass-ports, and the use of their air space by foreign aircraft flying

to and from Israel. Tunista yesterday took the first step towards normalising relations with Israel by opening an interest section in Tel Aviv and allowing Israel to open a similar office in Tunis. Initially, the representation will be handled by Belgian diplomats. But Mr Peres and his Tunislan counterpart, Mr Habib Ben-Yahia, agreed at a meeting in New York that Israeli and Tunisian diplomats would be appointed within a

Mister

NEWS: IMF/WORLD BANK IN MADRID

Ministers to probe savings and investment

By Peter Norman, Economics Editor, in Madrid



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Finance ministries of the world's big industrial decided yesterday to investi-

S countries gate the outlook for world savings and investment, in the hope that this might shed light on current, high, real long-term interest rates. The Group of Ten countries

adopted a proposal by Mr Kenneth Clarke, the UK chancellor, to launch such a study. Mr Theo Waigel, German finance minister, said that the European Union's council of economics and finance ministers (Ecofin) would also investigate how different tax regimes affected savings and capital investment in the course of Germany's current six-mouth presidency of the EU.

The linked questions of high long-term interest rates and savings and investment were raised in Saturday's meeting of finance ministers and central bank governors from the Group of Seven countries (the US, Japan, Germany, France, Britain, Italy and Canada). The debate was taken further in a meeting yesterday of the G10 (the G7 plus Belgium, the Netherlands, Sweden and Switzerland and so 11 countries in fact) and the policy-making interim committee of the

International Monetary Fund. Mr Clarke told the committee that savings and investments were running perhaps two to four percentage points lower than in the 1960s and early 1970s, when they both accounted for about a quarter of world gross domestic prod-

were at historically high levels, up by one to two percentage points against the average for most of the period since 1945. The chancellor said the industrialised countries needed

a consensus on what to do, because very large new invest-

uct. Also, real interest rates ment opportunities, in prospect in Asia and Latin America, would increase claims on savings. More such claims might soon emerge in former communist countries and South Africa.

Mr Clarke said steps must be taken to reduce the financial demands of governments on markets by reducing fiscal defi-

This theme was taken up vigorously by Mr Waigel. The German minister pointed out that total government debt, in the industrialised countries of the Organisation for Economic Co-operation and Development (OECD), now averaged 70 per cent of GDP and was 25 percentage points higher than at the start of the 1980s.

Mr Waigel said a determined medium-term consolidation of industrial country budgets was the "central pre-requisite" for reducing global imbalances between savings and investment and hence reducing high real interest rates. He said Germany was showing the way and would probably bring its annual deficit/GDP ratio below 3 per cent this year and thus

lined that free international capital flows and the global capital market were a boon to the world economy. He rejected the idea of re-imposing capital controls or re-creating formal exchange rate links between leading currencies.

UK officials said the G10 study would be taken forward by the ministers' deputies and would also involve the IMF and the Basle-based Bank for International Settlements. They hoped for an interim report by the IMF meeting in Washington next spring.

At the G7 meeting on Saturday, ministers decided to involve the central bank governors more closely in their discussions, so as to increase the governors' understanding of the impact of financial markets on their economies.

Commenting on long-term interest rates after the G7 meeting, Mr Eddie George, Bank of England governor, said he and many of his colleagues thought that bond dangers of inflation. Observer, Page 19; Economic Notebook, Page 25

MADRID CONFERENCES DIGEST

Surprise Russian move on debts

Russia surprised and shocked the G7 countries at the weekend by appearing to demand sweeping readjustment of its foreign debt position. Officials said Mr Alexander Shokhin, Russian deputy prime minister, asked for treatment of Russia's debt that would be equivalent to the 1950s London agreement

settling Cermany's debt burdens after the second world war. Although details were not clear, Mr Shokhin reportedly sought an answer within seven days. Mr Kenneth Clarke, UK chancellor, said afterwards the G7 had not been able to make a considered response to the Russian demands. Instead, G7 finance ministers had asked Mr Shokhin to put his proposals on paper. Resolving Russia's debt problems would need much more detailed work by the Paris Club of western creditor nations, he said. Peter Norman

Japanese to head institute

Mr Toyoo Gyohten, chairman of the Bank of Tokyo, yesterday became the first Japanese to head a major global finance body when he was elected chairman of the Institute of International Finance (IIF), the Washington-based association of over 180 institutions, including all leading commercial banks. A former vice-minister of finance, Mr Gyohten said it was important for the IIF to act as a policy forum which would analyse issues concerning emerging markets. He was elected in succession to Mr Antonione Jeancourt-Galignani, former chairman of Banque Indosuez, at the IFF annual meeting in Madrid, held in advance of today's formal gathering of the IMF and World

SA 'relaxed' on credit rating

Mr Chris Liebenberg, South Africa's finance minister, told international bankers yesterday he was "relaxed" about the forthcoming rating of the republic's creditworthiness by the US investor service agencies Moody's and Standard and Poors and by Nippon of Japan. "On fundamentals we should be an A but I understand there should be uncertainties until we have proven that we can deliver our policies," he said. "If we come out with a BB I'll be relaxed. Any rating is better than having none at all as we had before," said Mr Liebenberg, who succeeded Mr Derek Keys as finance minister two weeks ago.

Complaint filed on Nepal dam

A first complaint has been filed to the World Bank's newly established panel set up to investigate complaints from people adversely affected by Bank projects. A group of non-government organisations from Nepal has charged that the Arun III hydroelectric dam project is in violation of the Bank's policies and procedures. They said the high cost of the project could result in cuts in health and social services programmes, while construction of a 122km road to the dam site would have adverse environmental effects. Peter Norman

Loan planned for Algeria

The World Bank is preparing a loan of between \$100m and \$200m for Algeria to help it with an ambitious structural reform programme. Mr Caio Koch-Weser, World Bank president for the Middle East and North Africa, said he hoped to put the proposed "emergency rehabilitation loan" before the Bank board before the end of this year. In addition, the Bank was providing an emergency \$50m loan in the wake of an earthquake disaster. Peter Norman



Latin America 'in need of institutional reform'

By John Gapper in Madrid

Reform of financial institutions, and encouragement of private savings in Latin American countries, is needed to reduce the volatility of capital flows into and out of the region, a group of leading bankers said yesterday.

The Group of 30, a Washington-based group of executive of banks and investment banks, said that capital flows into Latin American countries were more volatile than those related to the bank loans they had largely

The group said the rise in US short-term interest rates this vear had sown this volatility in debt instruments with \$10.5bn (£6.6bn) in new bond issues during the first nine months of this year, compared with \$2.3bn in 1993.

foreign portfolio investment in Latin America has substituted

for domestic savings. The group recommended these reforms in Latin America, to reduce the degree of substitution, making local capital markets more liquid and better able to withstand fluctuations in external flows:

• Central banks should be independent and should pursue domestic price stability. The study says such stability -towards which considerable progress has been made underpins the growth of mature local capital markets. • There should be reform in the financial sector, including higher accounting and disclo-sure standards. Countries should try to develop pension, insurance and mutual funds, and develop longer-maturity bonds and derivatives. The

can banks' capital requirements to be higher than the minimum laid down in the 1988 Basle accord, because of the relatively high risk of their

loan portfolios. Domestic loans and invest ment rates should be raised from current low levels. Private sector incentives such as changes in taxation and requirements to invest in pen-sion funds should be consid-

 Industrial countries should continue to support economic reform by ensuring access to their markets by Latin American goods and services, and by ratifying the Uruguay round of global trade liberalisation.

Latin American capital flows. Living with Volatility; Group of 30, 1990 M Street NW, Washington DC 20036, USA: \$20.

Infrastructure attracts more private finance

in Washington

Private financiers are moving into infrastructure development, in volumes well above expectations of just a few years ago, despite the risks of investing in emerging economies. This is according to a report released by the International Finance Corporation, the World Bank's private sector arm.

The IFC is playing a leading role in managing private sector infrastructure development. Since its first infrastructure financing in 1966, the corporation has undertaken 88 infrastructure transactions worth \$15bn (£9.5bn) in 20

The "renaissance" in private sector financing can be traced to several developments. In many countries, both the gov-

disappointed by the poor performance of public projects. Other governments, with tight budgets, are turning to their

private sectors. Developments in financial markets have created a wider pool of financiers and more financing techniques. Technological changes in telecommunications, power and transport systems have reduced unit costs and eased private sector entry.

In 1988-1992, governments in 15 developing countries privatised more than \$20bn of infrastructure-related assets. "Companies have supplied finance, and the ability to take

risks and to implement projects efficiently, while governments have contributed a willingness to privatise, to experiment with new more competitive regulatory envi-

non-guaranteed financing." the report says.

The rise in private financing and management of power plants, roads and other infrastructure can ultimately deliver better results than projects managed by governments, the report said, noting that, while it is still too early to judge operational performance, signed contracts suggest that efficiency gains are

The IFC says companies are also learning to manage envi-ronmental risks. Project managers are bringing in foreign companies to apply the lessons of environmental management learned in their own countries. "Private ownership that encourages better cost recov-ery is also having an impact on energy conservation by cus-



*Sentimentality is not something you expect in a financial controller. Yet whenever I see our corporate logo, I feel it's welcoming me into the family. It's based on an old Greek sculpture and perhaps that makes it special to

me. We Greeks really value that good old family feeling. At other multinationals I worked for, headquarters seemed very distant. As if all they were interested in were my balance sheets. At Akzo Nobel I feel ! belong. The rules are clearly defined but give a lot of freedom. I'm encouraged to have my say and not just about money matters. Being involved beyond the call of duty-for me that's a crucial element in creating the right chemistry."

CREATING THE RIGHT CHEMISTRY

AKZO NOBEL

Akzo Nobel is one of the world's leading companies in selected areas of chemicals, coatings, health care products and fibers. More than 73,000 people, active in 50 countries around the world, make up the Akzo Nobel workforce. For more information, write or call: Akzo Nobel nv, ACC/F11, P.O. Box 9300, 6800 SB Arnhem, the Netherlands, Telephone (31) 85 66 22 66.

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Comeback kid shows no fight

Jurek Martin examines a battered President Bill Clinton

ranklin Roosevelt created it, Ronald Reagan perfected it and it is now on every US president's Saturday morning schedule. It is a short radio report to the nation, from the White House or wherever the president is, lasting no more than about five minutes. An hour later, a representative of the

gets equal time to respond. There was more reason than usual to tune in to President Bill Clinton's talk last Saturday. Last week, the Republican party's "scorched earth" policy eviscerated in Congress what had remained of his domestic legislative agenda.

opposition party of the day

On Friday afternoon, campaign finance reform had gone the way of healthcare reform. Approval of the Gatt trade treaty was put on hold - by a Ernest Hollings of South Carolina. Bills covering cleansing of contamination by toxic waste, western land preservation, housing, and telecommunications were all dead or dving. Even popular proposals, such

as reform of lobbying and education, needed respirators. As the week ended, Democrats, like Senator George Mitchell, the majority leader in the Senate, were openly apoplectic about Republican obstructionism. The opposition, the senator charged, was determined to bring Congress further into disrepute "so they can inherit the rubble".

Yet, on Saturday morning, the Democratic president did not even allow the word "Republican" to pass his lips. Re did try to parade his achievements, and bemoaned what had been lost, but the culprits were always unnamed lobbyists" or Senate "filibusters", which, as every Con-gress-watcher knows full well,

have virtually all been orches-trated by the Republican party. Almost as an indication of Republican contempt for the president, the party's response, by Senator Judd Gregg of New Hampshire, hardly referred to Mr Clinton's remarks. Instead, it assaulted his policies on Haiti, which the president had not even mentioned.

Mr Clinton's reluctance to come out fighting may reflect immediate political concerns, not least the fate this week of the bills to reform lobbying and education. However, by that token, he might even be persuaded to hold back until the Senate has reconvened at the end of November to consider the Gatt agreement - and that will not be until after the mid-term congressional elec-

tions on November 8. Survey after survey of US opinion shows the elections as

likely to be potentially disastrous for Mr Clinton and the Democrats, who now represent the political establishment in

the widely loathed capital. Both the New York Times and the Washington Post yesterday carried extensive analyses, pointing to the likelihood of Republican control of the Senate, possibly of the House of Representatives and even of most state governorships.

ome Democrats in rocksolid seats are now fight-ing for their lives, includ-ing Senator Edward Kennedy in Massachusetts. Many have chosen to respond by shifting themselves to the maximum distance from their president. A mid-western fundraising trip by Mr Clinton a week ago was poorly attended and its financial gain was disappointing.

In fairness, the electoral season will not really begin until Congress adjourns, probably at the end of this week. Incumbents have been kept in Washington by the heavy congressional schedule, though some, like Mr Tom Foley, Speaker of the House, were forced back home at the weekend by polls indicating the depth of their difficulties.

But, even if the public perception is that Mr Clinton is a drag on Democratic candidates, a deferential silence

from him in the five weeks before November 8 might be yet more devastating. It would risk leaving the impression that he is prepared to face two more years of Washington "gridlock", which is the certain result of large Republican

As R W Apple noted in the New York Times yesterday, this impasse with Capitol Hill could be turned to the presi-dent's advantage in 1996, as it was did in 1948 when President Harry Truman ran for re-election in the last months of the "do nothing" Republican Congress returned two years before. But a more common view among Democrats, especially those up for re-election now, is that it would be folly to let the Republicans "get away with it" now.

Mr Clinton, self-styled "comeback kid" of the 1992 race, can still be a formidable campaigner when his heart is in it. But, on Saturday, in front of a clear target and a ready-made forum, there was no hint of fighting spirit. His wife, Hillary, who also

has much to lament with the loss of healthcare reform, was at least back in political harness campaigning for her brother, Hugh Rodham, a Senate candidate in Florida. But the nation still waits on its president



Haiti military chief Gen Cédras leaves a weekend meeting

About 300 soldiers from seven Caribbean countries will be deployed in Haiti today – the first non-US troops to arrive since the military intervention began a fortnight ago, reports Canute James, in Kingston, and agencies.

The new troops, part of a multinational force which is to assist imposing order in Haiti, have been training in Puerto Rico for three weeks.

They will be assigned to the docks in Port-au-Prince, Haiti's capital, relieving US

The port area has been the scene of bloody clashes between factions supporting the Haitian military and those backing the exiled President Jean-Bertrand Aristide.

The Caribbean troops will operate autonomously. Their deployment follows visits to Haiti last week by army chiefs from countries in the region. They concluded that the situation in Haiti is stable enough for the Caribbean detachments

to go in. Meanwhile, US troops are to stop violence between Haitians when they safely can, but a senior US official said yesterday that this did not mark a broadening of US policy.

Cuba opens new markets for sales by farmers

By Pascal Fletcher in Havana

"Pardon our inexperience. Tomorrow, we will do it bet-ter". The sign in one Havana marketplace summed up the first day of Cuba's latest economic reform experiment.

Nearly 150 farm markets, a novelty in the state-controlled economy, opened their doors in the Caribbean island at the weekend as state farms and cooperatives, including military units, began to sell surplus meat, fruit and vegetables

directly to the public.

But small peasant farmers were conspicuous by their absence, a sign that they may be initially wary about whether the move will really benefit them.

Shoppers gathered early at the 15 markets opened in Havana, but the avalanche of demand predicted by many observers did not immediately materialise.

Farms operated by the armed forces appeared to be setting the pace at the new markets, in terms of both prices and produce offered. Cuba's armed forces, battlehardened in overseas wars in Angola and Ethiopia, are now

being increasingly used to combat the island's internal economic crisis. They have been helping to grow food for the population since last year. Mr Manuel Vila Sosa, internal trade minister, had promhir la

ised that the farm markets would operate on a free market basis. Producers, after fulfilling contracted quotas to supply the state, could set their own prices for the general public, reflecting supply and demand. Sales income would be taxed.

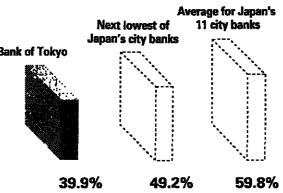
Undercutting and eliminating the black market in Cuba is a main objective of the new farm markets. Food shortages are one of the most sensitive symptoms of the four-year economic recession gripping the country.

The crisis followed the collapse of Cuba's preferential trade ties with what used to be the Soviet bloc, an economic belly-blow worsened by the recent tightening by the US of

its trade embargo on Cuba. The government, which for years has paid rock-bottom prices to farmers, is hoping the price incentives offered by the new markets will help to reverse the current fall in food production.

Core Business Cost Ratio

(nonconsolidated basis)



The Bank of Tokyo has the lowest ratio of general and administrative expenses to profit of core business, a key measure of banking efficiency in Japan.

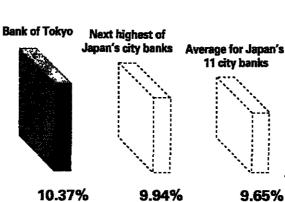
Financial Highlights

The Bank of Tokyo, Ltd. and Subsidiaries

	Millo	ns of Yen	Change	VS Dollars
	1994 199		1994/199	3 1994
For the Year Ended March 31:				
Net Interest Income	¥ 303,776	¥ 315,359	(3.7)%	S 2,944,997
Income before Income Taxes, Minority Interest, Amortization of Goodwill				
and Equity	98,627	79,633	23.9	956,16
Net Income	50,629	37,846	33.8	490,83
As of March 31:				
Total Assets	¥28,045,753	¥29,067,346	(3.5)%	\$271,892,900
Loans and Bills Discounted	13,554,332	14,317,494	(5.3)	131,404,09
Securities	3,957,376	3,994,056	(0.9)	38,365,258
Deposits	13,051,808	13,833,195	(5.6)	125,532,310
Debentures	5,043,199	5,204,470	(3.1)	48,891,895
Total Shareholders' Equity	1,048,389	1,007,889	4.0	10,163,736

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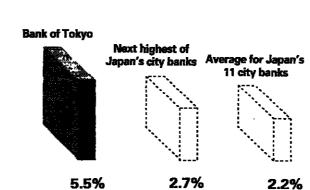
BIS Capital Adequacy Ratio (consolidated basis)



The Bank of Tokyo possesses the highest BIS capital adequacy ratio among Japan's 11 city banks.

Return on Equity

(nonconsolidated basis)



The Bank of Tokyo's profitability, as measured by return on equity, is substantially higher than its nearest competitor.

BANK OF TOKYO

All figures are for the fiscal year

ended March 31, 1994.

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INTERNATIONAL PRESS REVIEW

Candidate with a Real chance of being elected

LATIN AMERICA

The presidential election today in Brazil and the likely victory of Mr Fernando Henrique Cardoso, a sociology professor turned inflation-conquering finance minister, are prompting optimism throughout Latin America about prospects for growth, if the region's biggest economy remains stable.

But for thousands of Brazilian twins, the issue is more straightforward: will they get the vote? The twins were disenfranchised when election authorities, noting that such details as dates of birth and parents' names were identical, suspected they were fraudulent attempts to create votes for "non-existent" people, a com-

mon practice in parts of Brazil. Last-minute appeals by desperate siblings appear to have persuaded the authorities to let the twins vote. But as SBT, Brazil's second TV station, reported on Saturday night, the change of policy has not yet been officially sent to the

provinces. Boris Kasoy, the station's anchor, whose catch phrase "it's a disgrace" is used nightly to criticise the government, described the episode as plain

Despite such late hitches, campaigning has been peaceful and debate, at times, serious. The main newspapers agreed that Brazil's democracy has matured since the vicious 1989 presidential campaign won by Mr Fernando Collor, who later resigned amid corruption

charges. "In 1989 polarisation, radicalism and passions predominated. In 1994 we have reached polling day with less turbulence," according to an edito-rial in Folha de São Paulo, Brazil's biggest selling daily.

The media, which have sup-ported Mr Cardoso throughout the campaign, also agreed that his expected victory showed the country wanted stability rather than change. As finance minister, he planned the country's new currency, the Real, which led to a fall in monthly inflation from 50 per cent to less than 2 per cent.

Voters seem attracted by that record of success rather than by the rhetoric of Mr Luiz Inácio Lula da Silva, the left winger who promised to tackle social problems and build a "fairer" Brazil.

Ms Maria Tereza Souza Monteiro, a polling specialist interviewed by Veja news magazine, said: "The majority voting for [Mr Cardoso] are acting out of caution to prevent things changing unpredictably. What has struck me is that the elector, trying to be more rational. has this time refused to dream, which was always an inseparable part of our election cam-

Mr Cardoso is well known throughout Latin America, where his work as a left-of-centre sociologist is still studied. His victory will be welcomed by the continent because he is likely to accelerate Brazil's integration with its neigh-

strongly committed to Merco-sur, the customs union with Argentina, Paraguay and Uruguay, which comes into force on January 1.

The weekend press in Buenos Aires was unanimous in its assessment that the inflationbattling Plan Real had wooed the Brazilian people and was certain to catapult Mr Cardoso to power. Newspapers pointed out the added importance of Brazilian elections for Argentina, given the close economic ties being forged between the two countries within the cus-

toms union. In a piece entitled "Brazilian elections: An event viewed through a magnifying glass in Argentina", La Nación said it was now commonly held that with Mercosur, everything that occurs in one country has infinite importance in the

other." It was also genuinely accepted, said La Nación, that Argentina was rooting for a Cardoso victory so that Brazil could be "once and for all converted to a market economy".

Mr Cardoso, it said, had borrowed heavily from Argentina's inflation policy under economy minister Domingo Cavallo. "Here, they joke that the Plan Real is the Plan Cavallo written in Portuguese [Brazil's language]." The tablold Clarin warned that winning the elections was the easy part. Mr Cardoso had to push crucial budgetary reforms through congress, it said, or "Brazil would once again become ungovernable".

In a separate article. Clarin contrasted the personalities of the presidential frontrunners as a symbol of Brazil's yawning social division. As a child the academic Cardoso "adored the classics" and studied with a private tutor, while factory worker Lula "ate bread for the first time when he was seven".

Left-wing Pagina 12 ran a similar piece contrasting the lives of the bronzed Ipanema beach set with life in a Ric slum, Rocinha. It found much support for the Plan Real in both. "The inhabitants of the biggest shanty town in Latin America were also seduced by the new money." In this, it said, lay the secret of Mr Cardoso's likely success

In Chile, where Mr Cardoso lived for a spell during Brazil's 1964-1985 period of military rule, El Mercurio, the country's leading daily, reported Mr Cardoso's increasing lead in optiion polls while the main TV channels concentrated on the pre-election atmosphere.

La Epoca newspaper went into greater detail and pointed out that the two main candidates, Mr Cardoso and Mr da Silva, had the backing of organised political parties. As such, they differed from "out-sider" politicians such as Mr Alberto Fujimori, who was elected president of Peru in 1990, or Brazil's Mr Collor, who won the presidency in the previous year without the help of the main political parties.

Angus Foster in São Paulo, David Pilling in Buenos Aires. bours. For example, he is and Imogen Mark in Santiago

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ON CHAIR BURNE

Blair launches 'crusade for change'

By Kevin Brown and Philip Stephens in Blackpool Tension over Labour's tax

plans for the middle classes yesterday undermined Mr Tony Blair's efforts to secure a trouble free conference debut as opposition party leader. As party officials cleared the

way for compromises on minimum wages, women's rights and Northern Ireland, Mr Blair sought to set the tone for the conference in a statement promising a "crusade for change.

His comments came as Mr Gordon Brown, the opposition

chancellor, outlined a comprehensive series of measures being considered as part of Labour's industrial regeneration plan.

Mr Brown will also use the opening of today's debate on the economy to underline the party leadership's commitment to modernise the welfare state. He will signal Labour's plans

to integrate the tax and benefit system for pensioners and to use the benefit system to remove work disincentives for the unemployed.

In a series of interviews, Mr Brown played down remarks by Mr John Prescott, the deputy leader, which appeared to priate time," he said. signal support for higher taxes for the better off.

He said Mr Prescott's view was in line with Mr Blair, who Diedged in his statement that people who generate ideas. jobs and wealth have nothing to fear from a Labour government." However, Mr Prescott said on an independent television's programme that Labour had given no promises to any

groups of voters on taxation. "What is considered super rich or middle income or low income is a matter of the tax bands. We will make no decision about that until the appro-

Mr Blair's efforts to modernise the party were repeatedly attacked at pre-conference fringe meetings by leftwing activists accusing him of seeking to compete with the Conservatives in running a market economy.

However, the leadership was more embarrassed by disclosures that delegates represent ing many big unions will be told how to vote by union leaders, undermining the abolition of the union block vote at last year's conference.

Senior party officials were confident that a threatened

row over the party's commitment to a minimum wage had been defused by a compromise resolution referring the issue to a commission due to report next year.

The resolution confirms Labour's existing commitment to a legally enforceable national minimum wage pegged to half the level of male median earnings, but meets Mr Blair's concern that the party should avoid specifying a fig-

The ruling national executive committee sought to lay the groundwork for a trouble free week by defusing other

conference starts.

The NEC said that rules on all-women shortlists for parliamentary seats would be enforced with "flexibility," and announced a shift of emphasis on Northern Ireland towards neutrality between the nation-

point, the conference backdrop proclaims a fresh slogan: New Labour, New Britain.

alist and unionist traditions. Senior officials said the leadership was determined to leave behind the debate between modernisers and tradionalists which has characterised the last two years. To reinforce the

administration officials.

the state department.

His exposure on US national media in the past week has been much more limited than in February, the occasion of his first visit.

Coalfield boosted by power deal

est electricity generator, has signed a contract to buy Welsh coal for 10 years in what is thought to be the UK's longest-

ditional on the company winning its bid.

The move is a fillip for the industry as it enters the final stages of privatisation. The government is expected to decide this month which companies are to take over British Coal's assets later this year.

Britain's second biggest accountancy partnership said yesterday it would publish full financial results if its clients backed a plan to incorporate its audit practice.

KPMG Peat Marwick confirmed that it is to consult with clients, investors, and regulators with a view to creating a limited company to audit its public limited com-

pany clients. incorporation of the whole business, were dismissed at a board meeting last week. The firm audits one fifth of all the

Britain in brief If incorporation goes ahead it would be the first such venture in a leading accounting firm. Publication of results

would also be a first, except for a brief attempt in 1979 by Arthur Andersen, which was not repeated.

that their adviser is still

authorised, the new financial

services industry regulator

their authorisation revoked for

failing to meet the midnight

Friday deadline for applica-

tions to join the Personal Investment Authority, which is

replacing Fimbra as the main

Shell turns the tide

on its sea of paper

Shell UK will today move to

save motorists from drowning

in a sea of paper every time they buy fuel by announcing a

scheme to replace trading

stamps and tokens with

Shell Smart will be the first

nationwide scheme to use such

cards and it hopes to distrib-

ute up to 3.5m throughout the

Customers will be able to claim a point for every £6 they

spend on fuel which can be

to charity and air miles.

OFT to speak on

underwriting fees

The Office of Fair Trading has

decided to publish a controver-

sial report on fixed underwrit-

ing commissions which leading

City investment banks and

institutional investors have

The report, commissioned by

sor Paul Marsh of the Lon-

the OFT and conducted by Pro-

don Business School, concludes

that securities firms and fund

managers earn excessive prof-

its on their standing fee for

underwriting equity offerings.

The report says that the two

per cent fixed fee is too high

It is understood the OFT's

inquiry is backed by the Trea-

sury, which has been con-

cerned that the cost of raising

capital in London is too high

and will erode the city's com-

for the risks undertaken.

been lobbying hard to shelve.

regulator for independent

At least 13 firms have had

warned yesterday.

financial advisers.

"smart cards".

Sinn Fein **Investors urged to** check advisers leader in Investors seeking independent Washington financial advice should check

Mr Gerry Adams, president of Sinn Fein, the IRA's political wing, is due to arrive in Washington from Philadephia today, but with the prospect of only limited access to US

He is likely to meet Ms Nancy Soderberg, of the national security council staff, at a social event tonight, according to the White House and British embassy. It was not clear if he would meet Mr Anthony Lake, the national security adviser, at that or

Ms Dee Dee Myers. White House press secretary, made it clear last week that Mr Adams would not visit the White House itself, which should rule out any "drop in" meeting, however brief, with President Bill Clinton or vice president Al Gore. He is to expected to meet lower-ranking officials at

Also on Mr Adams's Washington schedule are speeches hosted by the Council on Foreign Relations and the National Press Club before he flies to California midweek.

National Power, the UK's larg-

lasting coal contract. National Power has agreed conditionally to buy from next year 1.5m tonnes of coal a year for 10 years from Ryan Group. Ryan is one of at least seven companies to have submitted tenders for the South Wales coal region and the deal is con-

Peat Marwick plans Post Office sell-off

A poll of Tory constituency chairmen bas indicated that even these party loyalists favour keeping the Post Office in the public sector - with greater commercial freedom.

National Grid sale faces tax setback

By Michael Smith

Regional electricity companies could be liable to a tax bill of more than flbn from their planned flotation of the National Grid after a potential setback in talks with the Inland Revenue, the tax

authority The authority has told them it is unable to comment on a scheme by which they hope to avoid incurring capital gains tax liability as a result of demerging the National Grid, which transmits electricity in England and Wales, from their

Although the regional electricity companies (Recs) are seeking guidance from financial and legal advisers, executives fear that the Revenue's non-committal approach means they may be forced to proceed with the flotation with the tax issue unresolved. At worst it could signal the end of their plans to avoid capital gains

Pressure is growing on the government to extract as large a benefit as possible for taxpayers and consumers from the National Grid flotation. It has been widely criticised for undervaluing the Recs when it privatised them four years ago.

The National Grid flotation is bound to increase the criticism as the company was val-ued at just over £1bn in 1990 but is now estimated to be

worth at least £4bn. Theoretically the government could use its golden share in each of the Recs to extract windfall payments after the flotation, but its free market principles means it is highly unlikely to do so. It would prefer the Recs to cut power bills voluntarily. The imposition of capital gains tax would be another way of reducing criticism.

The Inland Revenue's remarks, in a letter to the Recs, follow several months of

The Recs' proposal, through which the National Grid would be demerged through an issue of shares in the transmission company to existing Rec shareholders, is the second to be made to the Inland Revenue. The first was rejected outright. | and the Middle East, following

A carrot and stick policy

By Philip Stephens

Mr Gordon Brown calls it the "New Economics". It is not new. But for the opposition Labour party the approach cer-

tainly is different. Last week saw the shadow chancellor join Mr Tony Blair in ditching the party's traditional assumption that higher spending and taxes would

solve the economy's problems. Neither man will produce detailed tax tables this far ahead of a general election. But apart from the "undeserving rich" (no one is quite sure who they are, though the bosses of the newly privatised utilities seem one obvious choice), Mr Brown's message is that the nation's taxpayers can sleep soundly.

Convinced that the break with the past has been made. Mr Brown wants to move on to a more positive agenda explaining what Labour would do rather than what it will not. The thread running through his efforts to present a credible

strategy at the next general

election is the diagnosis that underinvestment is the key to the UK's economic weakness. In an interview with the FT on the eve of today's conference debate on the economy. Mr Brown offered Labour's answer: a framework for the economy in which the productive base would be rebuilt by a

vate sector. The idea that Britain has too long lived for the short-term is hardly novel. Politicians and economists have spent much of

Work has begun in Thailand

on the first British university

to be built outside the UK. It

will be staffed by British aca-

demics and award degrees vali-

dated by parent universities in

Ministers hope that the proj-

ect, led by the Department of

Trade and Industry's education

ties throughout the Pacific rim

the UK.

rather than against, the pri-

the dangers of preferring today's consumption to tomor-

row's investment. Nor is there anything new about the idea that the nation's education system is no match for that of the Japanese or the Germans; or that British companies often prefer hefty dividend payments to long-term

expansion programmes. What has changed is Labour's prescription. State direction and ownership, like high spending and punitive taxes, Mr Brown insists, are no longer part of Labour's agenda.

The message he wants the voters - and business - to take came in the first sentence of the interview: "I think the key thing is for people to understand that Labour is setting aside the old conflicts between the public and private sectors. We see a partnership that is essential to the regeneration for the economy.

The Tories have failed because they have presided over an ever-shrinking productive base. For the same reason Labour could not solve the problems by pumping up demand. It would hit the same capacity constraints. The supply-side rules in Mr Brown's 'New Economics".

The shadow chancellor is not offering a blueprint for the promised transformation. The details of proposals to expand training, change the culture of government working with, short-termism in the City and raise the level of industrial investment must await the deliberations of party's Eco-

nomic Commission. But he outlines the main elements of what amount to a

influence industry: "We are lent of the Open University, to looking at the merits of an employer rebate/levy scheme to encourage training. We are looking at how we can regear industrial and regional incentives so that they have a far bigger component for invest-ment in skills. We are looking at the idea of individual training accounts and at major reform of National Insurance

in terms of the benefits people could expect for the same contributions. There is more: a university encourage the development of skills; and the possibility of tax incentives to encourage pension funds and companies to enter into voluntary long-term investment arrangements which would ease the pressure to maximise dividends.

Gordon Brown: 'Labour is setting aside the old conflicts between the public and private sectors'

Labour would tighten competition policy by introducing public interest criteria for mergers and takeovers. It might form a development bank to help small companies. It is easy to spot the sticks

provided by a plan to use the National Insurance system to provide individuals with training credits - credits which could be drawn while in work the past 30 years telling us of series of carrots and sticks to for industry, the 1990s equiva- and carrots. Employers would as well as between jobs.

for intervention".

First British university abroad to open in Thailand The project hopes to win final approval from the Thai government next July once

have to pay the training levy. Rebates would depend on their

performance in improving

skills. The system would

"encourage people to do what

they would otherwise consider

doing themselves. It stops the

good firms being undermined by the bad so there is a case

Alongside this is the carrot

have been settled.

Other options, including the

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the model of international tution with local people paying American universities.

American universities. Baroness Perry, leader of the group which was set up a year ago in an attempt to boost UK educational exports, said the project was needed to co-ordinate exports by British universities and to reverse inroads made in the market by higher education institutions from Germany, the US and Austra-

and training group, will be the first of several British universi-All funding for the university is coming from Thai finan-ciers. It will be a private insti-

Mr Richard Needham, trade minister, said there was scope for similar initiatives elsewhere in the Pacific rim, as several nations, including Korea and Taiwan, have a shortage of university places compared with the numbers who graduate from secondary school

The DTI group also aims to expand British higher education into Latin America, where it has so far made few inroads.

"A British degree has international currency, and Thai people will be more than willing to pay for it," said Lady

The university in Thailand aims to accept its first students in October 1996 and eventually will cater for around 10,000. Two campus sites have been

signated. One will specialise in finance and economics and the other will concentrate on engineering and technology, reflecting the current needs of the local economy.

details on the appointment of administrators and lecturers

Several British universities are already active in the Pacific rim, although this is the most ambitious project to date. For example Warwick University has separate manufacturing departments in Hong Kong and Kuala Lumpur and plans to offer accounting and finance courses from Shanghai. | UK's listed companies.

Double blow for

petitiveness.

Government plans to privatise the Post Office have been dealt a double blow by Ulster Unionist MPs and Conservative constituency chairmen.

With the cabinet set shortly to decide whether to procee with the sale of 51 per cent of the Royal Mail, the nine Ulster Unionist MPs at Westminster have sent a formal submission to Mr Michael Heseltine, the trade and industry secretary, saying they oppose the move.

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Inside out: the Stock Exchange goes on crusade

Michael Lawrence, the London Stock Exchange's chief executive, to make the market safer for investors who do not have inside information. He is taking a series of measures to ensure that anyone buying and selling shares through a London securities house will not be severely disadvantaged if he or she has access only

The lack of certainty in the market which makes it difficult for an investor to

Part of the way to achieve that, he believes, is for the exchange to be doubly vigilant in its attempt to detect and investigate possible insider traders, or those who make illegal profits from trading in shares when in possession of confidential price-sensitive information. But Mr Lawrence admited: "There is a limit to what we can do. We investigate, but it's up to

ages our reputation," he said. "I want us to do all we can to ensure that the market Robert Peston goes on campaign with the squad that aims to make sure all deals are above board

> years since insider trading became illegal in the UK, there have been just 23 successful prosecutions and only two in the past two years. Part of the reason for this record is widely believed to lie in the criminal, as opposed to civil, nature of the misdemeanour. The burden of proving

required in a criminal case, that someone sed inside information when dealing and then proving that the motive for the transaction was to profit from that information and that there was no other motive - has frequently proved impossible. Only the government can decide a lower burden of proof, to cover insider change the law, it is not immune from the effects of the current one. Mr Lawrence said: "My concern is that the exchange itself is brought into disrepute if there is not enough punishment." All he can do for now is to improve the exchange's own detection and investigation procedures, so as to expose as many insider traders as "We do not want to have an image of London as a place where insiders

To provide an insight into the exchange's role in the battle against insider trading, the articles below include a genuine insider-trading case - heavily disguised with the names and dates changed because the investigation is still "live" - and a detailed account of the operations of the exchange's Surveillance Group, responsible for detecting and investigating any criminal activity linked to

Surveillance knights ride into battle to secure fair fight for all investors

1.1 On February 6 1994, Olde Humbugs, the manufacturer of traditional English confectionery, put out a statement that it was in talks with International Chocolate Bars (ICB), the Swiss-based foods multina-tional, which were likely to lead to a merger of the two

1.2 Following the announce-ment, Olde Humbug's share price jumped 40p to 270p. At the beginning of the year, the price had been 220p.

1.3 The Surveillance Group initiated a review of trading in Olde Humbug's shares as it had been seen that there were a series of large transactions ahead of the announce

A substantial number of trades had come from Scottishbased individuals and had taken place through an Edinburgh stockbroking firm, McNose and Partners. These transactions, most of them purchases, seemed anomalous. since McNose had rarely in the past dealt in Olde Humbugs

1.4 The biggest purchases. worth £10m in aggregate, were carried out by McNose for two clients. Banque Internationale de Bruxelles, a Brussels-based bank, and Mr Peter Punter, a well-known and successful private investor.

The investigation

2.1 The department had dealt in his company's approached the Takeover Panel for information, given in strictest confidence, about how long talks had been in progress between ICB and Olde Humbugs. The two companies were also asked to supply timetables of the events leading up to the announcement and who had been aware of the negotiations. the first significant event took place on November 14 1993 when the chairmen of the two companies Mr Ronald Chattie (Olde Humbugs) and Mr Dieter Aufgang (ICB) met to explore the issue of a possible merger. 2.3 On March 1, Chattie and Aufgang were interviewed separately at the exchange. Both were taped. During the interviews, the names of those iden-

OLDE HUMBUGS Share price (perce) Share price jumps to 270p. 280 240 1.3.94 200 18.1.94 10.2.94 15.11.93 Side bought 5,000 shares conducts first at 222p at 280o February 1994

tified at that date as having dealt prior to the merger How a real – but announcement were given to them, but none was known to very heavily either. They agreed to carry out checks with their persondisguised – series nel records and suppliers. 2.4 The department carried out of deals is being a more extensive review of transactions in both compainvestigated nies' shares. On March 3 it established that Mr Ewan Side,

an Olde Humbug executive. and was present at several of the negotiating meetings. He • November 15 1993, bought recalled that in early December he warned Side not to buy any • January 18 1994, bought shares. Side had not been 5.000 shares at 222p; ● February 10 1994, sold 10.000 brought onside (made an insider) in any other transaction as this was the first time the company had been in 2.5 Although not a member of the Olde Humbugs board, he merger discussions. Chattie said he did not feel uncomfortwas aware of the merger talks able about discussing the ness with him.

2.6 On March 10 two exchange Chattie had also checked the company's records against the investigators met Chattie and names of Olde Humbugs share tor, at Olde Humbug's offices purchasers mentioned at the original meeting in the in Leicester. The purpose of exchange. He had found that Bernard Arrowroot of Gumme Group was a supplier to Arthur Crystal of Sugar Prod- 10.46 and concluded at 11.01. ucts which in turn was a suprate strategist was kept closely plier to Olde Humbugs. Arrow-

root had purchased 10,000 Olde Humbug shares in January. Chattie said that he knew that Side and Crystal were

friends and had been shooting together in December. 2.6 Owing to the senior position of Side within the company and the information supplied by Chattie, it was felt necessary to interview Side at the earliest opportunity. It was therefore decided to interview him the next morning.

2.7 On March 11 at 09.05, two exchange investigators met Side at Olde Humbug's offices. They explained the purpose of wanting to speak to him and that he might wish to consider speaking to his solicitor before continuing. Side left at 9.16, returned at 9.25 and informed them that his solicitor would be attending any interview At 10.11 Side returned and

introduced his solicitor, who said he had advised his client to co-operate fully. At 10.15 the interview, which was taped, commenced. Following introductions, Side was cautioned. The first tape ended at 10.45. The second tape commenced at Side confirmed that he had dealt in Olde Humbug's shares

as identified by the surveillance department. He denied being told of the bid approach prior to his purchase of 5,000 shares on November 15. The reason given for the purchase was that Crystal, an old friend, had recently joined Sugar Products and he hoped that they would be able to work together in developing and expanding commercial links between the two companies.

Side admitted that the purchase on 18 January of 5,000 shares at 14.14 was prompted by his being told by Chattie that a deal with ICB was likely. He said he did not know if the

information was public. He denied discussing the bid talks with anyone outside the company. He confirmed he had been shooting with Crystal in December. The names of other people who had dealt were put to him. He said Punter had been in the same shooting party as Crystal and himself, although they had not previously been acquainted and they talked little during the Side said the deals were tiny

in comparison to his portfolio of £3m invested in the stockmarket. At the end of the interview, he was handed a notice explaining how he could get access to the tapes. His solicitors were supplied with a copy of the tapes on April 10. 2.8 In the light of Side's admission that he had bought because of the information he had obtained from Chattie, it was decided to attempt to establish the conduit of any other information to the suspi cious dealers in Scotland and also in particular to Punter and Banque Internationale de

The department then wrote to the Belgian bank asking for whom it had bought the Olde Humbugs shares. The bank supplied the name of a Liechtenstein-based stiftung or trust. A letter was sent to the trust requesting details of its beneficiary.

Bruxelles.

2.9 An apparent link from Olde Humbug to Punter was Crystal, who agreed to be met at a hotel in Glasgow on April 5. He was interviewed there at 4.15.

Insider dealing prosecutions



Holding the fort: exchange chief executive Michael Lawrence who is out to stop insider trading

both socially and through business. He said he was not told that Olde Humbug was considering merging with ICB. Crystal freely admitted that he recommends ICR's shares as he thinks it is a good business, but he was adamant he had not heard about any merger activity. He confirmed that Arrowroot of Gumme was one of his more important suppli-

He was also asked if he had heard of Punter. He said he knew him and dealt with him on business matters. He

would buy and sell anything. He knows that Punter is very active on the stockmarket as every time he goes to Punter's office he is always on the telephone to his broker. Punter is well aware of Crystal's relationship with Olde Humbug and frequently asks how the company is doing. Crystal has recommended Olde Humbug's

shares to Punter. 2.10 On April 15, Chattie telephoned the department to say that he had become convinced that Side had breached his trust. During this conversation it was established that Side had resigned following advice

Conclusion

3.1 There is evidence of ins dealing by Side and consideration should be given to referring this matter to the DTI. The large transactions by the various connected dealers in Scotland and those of the Liechtenstein trust may also he of interest. Punter has been interviewed by this department on previous occasions. No

A click of the mouse is all it takes to track the share raiders

1982

1983

1987

1990

1991

The stockmarket's Big Brother, watcher of every share deal carried out in London for signs of criminal activity, lives in a seedy suite of rooms on the fourth floor of the Stock Exchange's dirty grey tower in the City.

If it were not for the presence of some spanking new computer hardware, it could be the set of the 70s cop show The Sweeney, all plywood chairs and threadbare synthetic multicoloured carpeting.

These are the offices of the

19 members of the Surveillance Group, whose role is to identify possible insider deals, market manipulation or other criminal activity involving share trading and also to carry out investigations, which can last up to three months.

The task of identifying possible insider deals has always been mind-boggling because of the vast number of share price movements or transactions which have to be examined every day for possible breaches of trading rules as well criminal activity. On a typical day, the exchange scrutinises between 1,000 and 1,200 such

Inevitably, many of the cleverest insider dealers are not caught. But the Integrated Monitoring and Surveillance System (Imas), a computerised tool the exchange has been using since the end of last year, has made it harder for

insiders to hide.
According to unpublished figures, the exchange's surveil-lance group opened 101 cases for investigation in the first seven months of the year, of which 75 were into alleged insider trading. That compares with 100 investigations in the whole of last year including 57 insider probes. However, in the nine months to date, 18 insider trading case files have been passed to other agencies such as the Department of Trade and Industry, the Securities and Futures Authority and the Takeover Panel for further investigation - compared with 15 in the whole of 1993.

Ron Desktop, his finance direc-

the meeting was to find out the

nature of Side's involvement in

Chattie said Side as corpo-

the talks with ICB.

shares as follows:

shares at 2800.

strategist.

5,000 shares at 215p;

The DTI, which has the power to launch its own insider dealing investigations under the Financial Services Act and also decides whether to prosecute, has received 10 referrals from the exchange so far this year. It received seven in the whole of last year. The rise in the surveillance

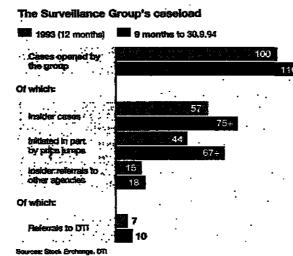
group's investigation tally reflects improvements in the detection rate, not in the incidence of the offence, the exchange believes. The surveillance group, headed by Mr Mike Feltham, was hampered for many years by slow and cumbersome methods for obtaining basic share trading information from a variety of sources within the exchange. It could frequently take a fortnight to collate and analyse all the relevant data. One effect of Imas has been

to improve the quality of the analysis of trading informa-tion, since the raw data and the trends can all be seen on the same screen. At the click of a mouse, it provides: The time of all transactions

in any UK shares; The name of the broker or marketmaker who carried out

• The coded names of the clients who placed the orders; A great variety of graphical information which allows trading patterns to be identified

Its more important benefit is that it has compressed the process of identifying sinister trading patterns and who is behind them from weeks to hours. "The element of surprise is vital in obtaining a confession from an insider trader", said one former member of the department. That requires the suspect to be interviewed soon after the **Market watching**



alleged offence took place. The more time that elapses before this interview, the greater the risk that he or she will be tipped off that a probe has commenced and will concoct an apparently legitimate reason for trading.

A recent example of the speed with which the group can now complete its probes was the case of alleged insider trading involving Lord Archer. After the media group, MAI, made a takeover bid for Anglia Television in mid January this year, the group carried out - as a matter of routine - an analysis of Anglia share deals

in the preceding weeks. Within three days it had compiled a case file on the best-selling novelist's orders to purchase 50,000 Anglia shares. passed the file to the DTL, which investigated the affair for five months before deciding not to prosecute him. The surveillance group typi-

cally measures its performance

by reference to its counterpart

at the New York Stock

Exchange, whose international reputation in fighting insider trading is probably stronger. But Imas is in one important respect superior. The NYSE does not have any electronic access to information on investors who place share orders. Its computers show only the securitles firms which have carried out the deals on investors' behalf. So the NYSE has to telephone the firms to get any investor details, which brings with it the risk that the firm will tip off the probe target.

The group in London cannot obtain from Imas the names of investors behind deals. But each investor is given a code by every broking firm which is a member of the exchange, and Imas supplies these coded names. This allows the group to establish trading patterns and possible links between transactions without having to make any telephone calls. The Imas information is not comprehensive, however. The

group can match full names to

codes for only a limited num-

ber of investors, since there are millions of different codes. It will frequently have to ring a broker in the end to establish who placed a share order. Another significant omission from Imas - and indeed from

any electronic information

source in the exchange - is details of the enormous equity exposures taken on by securities houses and their clients in the over-the-counter derivatives market. These OTC positions can on occasion be the dominant influence on a company's share price. But at the moment only the Securities and Futures Authority collects detailed information on these deals - which it passes to the group in response to requests. Given the importance of price movements in generating tions in the first seven months of the year were to an extent initiated by price "jumps" -lack of access to derivatives

market information is quite a handicap. As well as being a database and analytical tool, Imas is an early warning system. It pro-duces "alerts" every time there is an unusual price jump, or a substantial transaction, or unorthodox pricing by market makers - the wholesalers of shares - or an apparent breach of the exchange's rules on the

reporting of transactions.

These alerts are initially scrutinised by the market supervision department, which is responsible for making sure that trading rules are followed by exchange members and that dealing remains "orderly" or not excessively volatile. But when it detects possible criminal activity, the surveillance team takes over.

The 19-strong team is split roughly down the middle between the intelligence gatherers, who operate Imas and collect information from other sources, and investigators who conduct interviews of suspects and witness

The intuition and experience of the intelligence gatherers, led by Mr Alan Wilson, plays an important role in deciding which transactions should be passed to the investigators for further scrutiny. For example, substantial pur-

chases of an FT-SE company's shares prior to a price-sensitive announcement would probably not be considered sinister if they had been carried out through a big securities house, such as Warburg Securities, since Warburg is carrying out substantial deals continually. However the group would almost certainly conduct further enquiries if a minor Scot-

tish broker, whose typical deals are small, were shown by Imas as a substantial purchaser of that company's shares. There is a split between

those team members who think that its most valuable tool is human intuition and those who place more of their

faith in computerised analysis. This battle may take a decisive turn in the coming months with the integration of new computer software into Imas. A prototype system, based on advanced artificial intelli-

gence programmes developed for the exchange by University College. London, has been able to identify links between different share traders which were hitherto impossible to establish. The model has for example uncovered possible concert parties consisting of up to 15 different clients of a series of securities firms, by noticing that groups of the 15 almost always trade in the same securities at the same time, even if all 15 rarely trade together.

But establishing who traded in any particular case is only half of what the group does. Before passing a dossier to the exchange, it needs to gather evidence of why investors carried out particular transac-tions. Even if trades in a company's shares ahead of an announcement turned out to be by the company chairman's mother, that would still not be deemed sufficient evidence to pass to the DTL In most cases, the group's investigators would interview the woman to ask her why she traded.

In around 70 per cent of the cases where the beneficiary of a suspicious transaction is identified, he or she will be interviewed. "It is the exchange's job to try to establish whether information was passed and how it was passed". said a former official.

Again this is very different from the NYSE, which never talks to any outsiders. It passes only trading data to the Securities and Exchange Commission, which then takes responsibility for all further investigation including inter-

behave very much like police group has conducted a probe

men. They are trained in interviewing techniques and how to obtain testimony admissible in court. Frequently they will caution interviewees, using the standard form of words employed by the police.

Unlike the police, however, they very rarely meet an overtly hostile response from interviewees. The investigators opening gambit of "I am from the Stock Exchange and I have come to ask you about some share deals you carried out" is frequently met with at least a partial confession, according to

past and present officials. However, evidence is far more difficult to obtain once any transaction is routed through offshore financial centres. Switzerland is now cooperating to an extent with UK insider dealing investigations and providing some details of the beneficiaries of share trades carried out by Swiss

But it remains almost impossible to establish the identity of anyone trading though a nominee company in the Cayman Islands or the British Virgin Islands.

Some brokers and fund managers question why the exchange should invest so much time and money investigating insider trading, given that obtaining a successful prosecution appears so difficult. One fund manager said: "The exchange is pretty good at investigating, but to what end? Sometimes I think someone should do a cost benefit unit. Is it really worth the

cost?" The exchange's reply is that deterrence is not just about putting people in prison or fining them heavily. One official said: "You would be surprised how often executives mysteri-The exchange's investigators nies after the surveillance



A curting the

Consumers have been reluctant to pay the price for efficient service systems. But there are indications that the tide may be turning. David Lawson reports

Green conundrum for the experts

Two groups of experts sitting down today at opposite ends of the UK will be trying to solve

the same conundrum. If so much store needs to be placed on cutting costs and saving the environment why is there so little interest in more efficient, "greener" buildings?

In Brighton, more than 50 construction professionals at the annual Chartered Institution of Building Services Engineers' annual conference will be exploring why low-energy buildings are so rare. Meanwhile, in Lancashire builders will be meeting for an update on the fortunes of the National Home Energy Rating Scheme.

One common factor is almost bound to emerge. Consumers are reluctant to pay the price for future savings. Efficient systems for handling heating, lighting, ventilation and the myriad other functions that keep commercial buildings ticking over cost more.

Occupiers dislike service charges but refuse to accept the higher rents or construction costs necessary to cut them. Homebuyers are little different, opting for cheaper houses rather than those with better insulation and materi-

But the tide may be turning. The government is committed to a 20 per cent reduction in carbon dioxide emissions by the year 2005. Buildings in the UK produce half the carbon dioxide pollution, and will be regulated more rigorously when new construction regulations come into force next

VAT charges on fuel will

tive to running costs. But com-mercial users are already aware of an energy bill which has soared past £20hn a year for UK buildings and threatens to go further if the expected carbon tax emerges later this

Other worries are also crowding in. Modern buildings have begun to demonstrate frightening side-effects. Electronics adopted to save costs appear to require expensive servicing. Staff fall sick for no apparent reason, and even passers by can be struck down by invisible bugs.

Security takes on a new dimension. It must combat not only bomb threats in the City of London but burglars hungry for desk-top computers. Even hospitals now have to consider elaborate alarms to protect new-born babies. Fire safety is another problem in sealed office blocks and shopping

Overlaying all this is a drive to cut costs as businesses drag themselves out of recession. While energy-saving is the main driving force, this combination of factors has brought the whole range of building services into prominence.

This is a leading industry worth more than £8.9bn in 1992: 20 per cent of the total construction contractors' output, according to the Building Services Research and Information Association. Mechanical and electrical engineering alone was estimated at almost £7.5bn last year.

Many occupiers facing the task of trimming spending would be surprised to discover make homebuyers more sensi- the number of activities quiground to keep their building working. An average 10,000 sq ft office block costs more than £60,000 a year to maintain, according to the annual Office (Oscar) of property consultants Jones Lang Wootton (JLW). The cost includes energy, secu-

insurance and applies only to

The lion's share goes on energy (£1.20 a sq ft) and heat-

Much of the debate in air conditioning has become on developers, who pass the

applies to electrical services. Designers vastly overestimated the needs of modern technology during the 1980s, producing over-expensive buildings equipped with air systems capable of extracting vast amounts of heat from electronics and heavyweight electrical

Service Charge Analysis rity, heating, air conditioning maintenance, management, cleaning, repairs, wages, lifts, insurance and water. It does not include buildings

common parts covered by landlords. Tenants pay extra for their own cleaning, lighting

ing/air conditioning (£1.05), one reason why a fierce debate now rages over the energy bill. A non-air-conditioned block costs 30 per cent less to run than a block with air conditioning (£4.16 a sq ft instead of £6.03p), according to JLW.

Brighton will centre on why almost universal over the past decade. Engineers blame this buck to estate agents, who in turn insist this is what occupiers demand. The same chain of blame

systems to power them. Many occupiers are paying a

premium for ventilation both "greener" and more effi-cient. Chlorofluorocarbons will systems that run below capacity - and therefore inefficiently soon disappear and blanket use plus extra charges to electricity suppliers for not using up their contracted loads. of full-blown variable air volume (VAV) systems is giving

Service engineers say this is

partly because of their lack of

status. "We should be brought

in earlier to advise on what is

says Mr David Lush, a consul-

tant with Ove Arup and former

president of the Chartered

Institution of Building Services

Air conditioning is now

under scrutiny, however. Man-

necessary in town centres,

where noise and dirt preclude

opening windows. They are

ufacturers insist that it is still

Engineers (CIBSE).

really required in buildings,

way to partial air conditioning. The manufacturers have one eye over their shoulder on the government. Air conditioning only escaped rigorous controls in next year's reforms of building regulations because ministers were persuaded the controls would be unworkable.

It had been suggested that builders justify every system with evidence from occupiers that such technology was essential. They argued that buildings were usually constructed long before anyone

producing systems which are knew who would occupy them. But the pressure for reform remains intense. The government expects a more practicable solution and the British Property Federation and CIBSE are trying to create either an energy scoring system or an environmental "shopping list" that can be applied to commercial build-

> from Brussels, where the European Union is pouring out a stream of directives. "The problem is that we are not being consulted," says Mr Kenneth Dale, president of REHVA, the Federation of European Heating and Air

rule demanding that every electrical item had to be checked every year had to be revoked after service engineers showed the crippling cost of such a task.

emerged that changes are taking place on the ground - mainly because so few buildmgs have gone up during the recession. But some promising signs are looming on the hori-

creeping in, where developers wait for a tenant before putting in all the services. This gives engineers a better chance of influencing decisions. Developers have always Conditioning Associations. One

claimed that occupiers demand

to see finished buildings - even if that means expensive

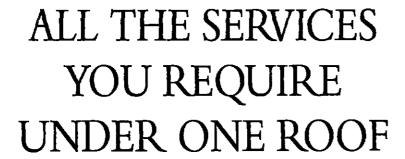
vices later. But Coca-Cola has made an early claim on an unfinished 80,000 sq ft block in Little hard evidence has Hammersmith because it saved having to throw out the developers' fittings and gave better control over the end product, said Mr Stephen Watkins, the company's property services manager.

This technique, common in other parts of the world, will become more common, says Mr Chris Hiatt of JLW. particularly as computer advances allow agents to take potential occupiers around "virtual reality" buildings rather than

replacement of unsuitable ser-

Shell-and-core techniques are

Continued on Page 11



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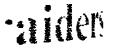
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should fall further as ESS

works its way through the

through an initial monitoring

exercise which gave ESS a win-

dow into the trusts' systems

Consumption profiles were built up from physical factors

and energy use. Payback peri-

ods were decided in co-opera-

tion with the finance depart-

common factor. Chesterfield's

Saltergate Health Centre had

to keep the heating on perma-

nently because parts were impossible to find, running up

bills of more than £15,000 a

year. But new technology can

now cope with this sort of

Fitting Berns saved the cen-

tre the equivalent of more than

£2,700 in the first 10 months.

The system is intelligent

ven the most mundane workplace is cocooned

of wire; data links, several

kinds of computer cable, tele-

phone cords and - hiding in this web - electrical power

"Any change of hardware can result in a change to the

cabling," says Stephen Hill of Oscar Faber Information and

power lead - as service engi-

neers sometimes find to their

This is no isolated problem.

to £400 per person.

A green

for the

experts

Continued from Page l waiting for a finished one.

CHURCHES

conundrum

nowadays in a network

ments on a cost ratio basis. Struggling with poorly speci-fied or obsolete technology is a

from its base 25 miles away.

Bach has been prioritised

remaining buildings.

During the cost-cutting induced by falling profits, occupiers began to realise how much they were paying to heat the surrounding neighbour-

Despite multiple oil-price shocks, many were still living in the era of cheap fuel. Lucklly, energy-saving has proved a lot more attainable than the mythical grail.

The campaign to curb air conditioning, dealt with elsewhere in this survey, has made headlines. Yet supporters claim that it accounts for less than 4 per cent of the energy consumed in commercial buildings and produces less than 1 per cent of the UK output of carbon dioxide.

Choice of air conditioning also applies mainly to new construction. But the bulk of the problem lies with existing buildings, whichever way they are serviced. These are being tackled with a less glamorous, but more productive, campaign of uprating the management of energy systems.

Energy-saving schemes are not new. The Vickers tank plant in Newcastle, for instance, was worked over **ENERGY SAVING**

Awareness is spreading

more than 10 years ago by Ryder Nicklin, architects and engineers. Draught-proofing, integrated energy controls and low-energy lighting cost £6m but cut bills by 90 per cent to £70.000 a year.

This kind of awareness of energy costs is spreading out of the manufacturing sector, says Ken Ordish, managing director of ESS Projects. Groups such as NatWest Bank and Bass Breweries have commissioned energy "audits" of buildings ranging from high

street branches to administration blocks, pubs and hotels. Other factors than the blitz on costs may be helping this The Building Research Establishment (BRE) has cre-

ated an Environmental Assessment Method (Breeam) for testing the "greenness" of buildings, which groups such as the BBC and London Transport have promised to use. Just as important, however, is the work the BRE's Energy Conservation Support Unit

(Brecsu) is doing to get such issues discussed at board level. Occupiers often have the in-house specialists who know the problems, but they do not have the communication skills - or status - to get the message across, says Brecsu. It has persuaded 1,500 top companies to commit themselves to "reeducation".

Decisions on energy-saving are filtering down from the top, says Mr Ordish. Now his part of the industry has to solve problems that arose because service engineers were not consulted in the past. "It is often a case of making existing controls work properly," he

"If the people who run buildings were consulted earlier by mechanical and electrical eng neers in the planning of buildngs this would not happen." Privatisation is also having a hig impact Schools and hospitals find that the freedom of opting out of state control also brings the burdens of paying big bills.

Two trusts set up in the Nottingham area. Healthcare and Community, discovered an energy bill of close to £1m on 28 premises ranging from large hospitals to small day centres spread across the city. They also faced a responsibility to match the government's request to industry for 15 per cent energy cuts over the next Phil Winstanley, the energy manager, will be plugging one gap by early involvement with

remises now being built. Existing premises will be drawn together into a central building service network under which conditions can be remotely monitored by desktop computer or the service engineers' portable lap-tops. One problem is that two kinds of control equipment are in use - Andover Infinity on larger sites and Satchwell on

■ his is being tackled by more systematic specification in future, but that leaves the task of stitching two

existing systems together. ESS has installed building energy management systems (Bems) which should soon be able to integrate control through a CdC data engine. It should also be able to cope if other brands of control equipment are required in future. Tight budgets mean the cost

of installation must be covered by energy savings, and this has already started happening. The last energy bill came to

enough to adjust water heating to different levels according to requirements for each part of the building. It even calculates when to turn on so the temper ature is correct at opening

time. Besides a local display board. the controls can be adjusted over the phone by the health authority's district energy

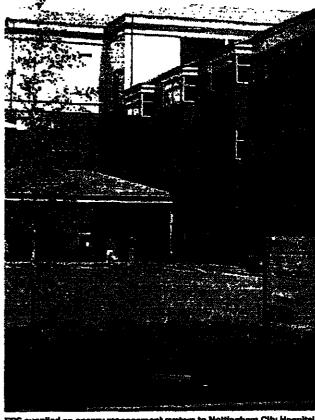
This helped cut costs by 18 per cent last year, when the older system would have reacted to the unusually colder weather by pushing the bill 10 per cent higher.

Monitoring is a crucial nart of energy management which is often overlooked, says Mr Ordish. "Settings may be ideal when a building is first occupied but uses - and users - can change." Many occupiers will have to

remember that energy saving is a continuing task involving regular audits to ensure that the systems are working correctly. Those currently driven by

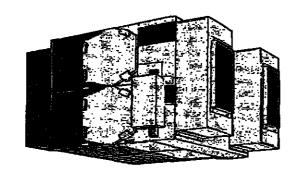
concern for the environment may forget this as fashions change. Then the cycle will come again as recession - or a fuel tax - finds them rediscovering the need for cost-cutting.

David Lawson



ESS supplied an energy manage

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COST-EFFECTIVENESS

Towards more flexibility

Communications. "And of over the past five years, howcourse no-one knows which are ever. Structured wiring the original ones, so new cable schemes (SWS) involve highly is simply piled into the trunkspecified cabling which can accommodate a wide variety of Moving desks can be just as users. Conversion equipment chaotic, as the confusion over and special junction boxes mean that people and their computers can be moved what goes where is com-pounded by the fact that notharound easily and simply. The ing seems to match. A PC cannot use a mainframe terminal cabling works for any kind of wire any more than it can a hardware, so that, too, can be moved or changed. This cuts the cost of churns to £20 per person, says Mr Hill. The extra cost of SWS pays for itself in

Offices "churn" constantly, two or three years. moving half their work posi-But what about a mechanical tions within the first year of digger waiting to wreak havoc occupying a building and up to in the road outside? Simple, he 30 per cent annually after that, says. Lay in a second, standby, says Mr Hill. More than half connection, "The cost is neglirequire re-cabling, costing up gible if provided at an early

One of the main complaints ings on productivity and potential legal responsibility for legionnaires' disease bugs in water systems are all making

tenants more aware of the ser-

vices hidden in their buildings.

Developers such as Norwich Union have taken up the challenge, offering to produce blocks which are both greener and cheaper to run. If occupiers take up the challenge, engineers will welcome it with The most significant presopen arms. In the meantime, sures for change over the next they face a long campaign to few years may come from occu-piers themselves rather than adjust the vast bulk of existing services either upwards to meet modern demands for efficonferences and regulations. Soaring energy bills, concern over the impact of "sick" buildciency, or downwards from the inflated ideas of the 1980s.

early enough in planning services. Developers argue that so much is determined by planners and tightly constrained finance that it is pointless calling on engineers until the detailed services are required. his is compounded by the strangely British way of completing buildings

of engineers is that such

systems have to be retrofitted

because they are not involved

before anyone knows the specific needs of occupiers. Developers and agents argue that tenants will not take premises until they see everything in place. Occupiers then merrily tear out thousands of pounds' worth of fittings to replace with their preferred options or make the best of services such as cabling and air conditioning that are patently

msuitable. Some progress has been made towards the US tech-nique of taking buildings only to "shell and core" stage. This means that the frame and cladding are finished but only the main services are installed in the core. Occupiers then specify what they require on the lettable floor areas.

The reason is more to do with a fall-off in speculative development than any change of heart by developers, however. Pre-lets are now the norm, so they are dealing with an occupier who will specify the services needed.

The spin-off is more "appropriate" buildings, says Kevin Cooke, divisional director of cost consultants AYH Partner-

"We can now get past the agents and their demands for excessive specifications," he ticular bugbear. Reducing the specification on one 400,000 sq ft scheme in London from 25 to 15 watts per sq metre cut capi-tal spending by £400,000 and maintenance-running costs by £80,000 a year.

Another message getting through to occupiers at this early stage is that buildings should not be judged solely on initial construction prices. Lifecycle costing, which takes into consideration the running and maintenance bills for plant and equipment, has been preached by engineers and surveyors for years. Now they can make a case directly.

Developers remain unconvinced. "We see the looks on people's faces when presented with bare concrete and pipes,' says one. "They want something nice to look at before putting their hand in their pocket - even though they know it could all come out later.'

But while buildings remain hard to let, developers find they have to pay this double cost of fitting and refitting themselves, so the prospect of more shell-and-core schemes and "appropriate" servicing has brightened. Institutional funders are also being won over, as the core services can be matched to their standards even if letting areas are tai-

lored for individual users. Whether this survives a market recovery remains to be seen. But both funds and occupiers are adjusting to the idea that they should be demanding buildings flexible enough for tomorrow's tenants - whoever they might be

David Lawson

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BUILDING SERVICES III

Tim Burt reviews research and innovation

Beware the back burner

When more than 1,200 opera lovers rose to applaud the first night of Figaro at the new Glyndebourne Opera House. few of them paused to consider the triumph of engineering hehind the scenes.

Average States

The £33m East Sussex auditorium, however, would not have been ready to stage last May's inaugural production had it not been for the use of innovative building services

That expertise, drawn together by consultant engineers Ove Arup, depended in large part on products devel-oped overseas. The cast list of the building's main equipment suppliers was dominated by international stars such as Fröling, Weishaupt, Trane. Grundfos and Krantz

Critics of the UK building services industry argue that contractors favour such products because they represent thousands of hours of research and development - an area which has been comparatively neglected in the past in

Research and innovation on building services is taken much more seriously in Scandinavia and North America," says Dr Leslie Hawkins, director of occupational health at Surrey University's Robens Institute.

"We have just as many sites affected by sick building problems, but we don't seem willing to commit the research funding needed to examine it." His concern is echoed at the Building Research Establishment (BRE), the research agency funded partly by the government.

Mr Stephen Willis, head of the new technologies and controls section in the BRE's environmental systems division, warns that innovation in the UK still lags behind overseas competitors and is often regarded as conservative.

That fault may be due to the tendency among British architects to first design a building and only consult building service engineers afterwards to make the plans work.

With little room to manoeuvre, the engineers sometimes have no ontion but to fall back on expensive and costly systems for air conditioning

Moves to introduce supposedly innovative ideas, such as



Innovation: De Montfort University's new school of engineering and manufacture makes use of natural ventilation

manually-opened windows for natural ventilation, sometimes also run into hostility from owner-occupiers who regard such ideas as unprestigious and old-fashioned.

In some cases, there has also been a reluctance by the construction industry to embrace schemes which could threaten their lucrative maintenance

The government according to Mr Willis, has recently urged companies to change their attitude by taking part in collaborative research funded jointly by industry and the Department of the Environ-

Pressure to increase research

By implication, industry could do more to support development of new technology

funding mounted following the 1992 Rio Convention on Climate Change, in which Britain acknowledged the need to reduce greenhouse gas emissions from commercial build-

As part of that commitment, the BRE has launched a £1m energy-related environmental issues programme, which includes 20 research projects on subjects ranging from avoiding air conditioning to guidance on refrigeration systems and the application of

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onment manager at Ove Arup Its work is being matched by the Building Services Research The scheme, however, is and Information Association thought to be the exception rather than the rule in an (BSRIA), which represents almost 800 contractors, manuindustry under pressure to cut costs and trim back on facturers and consulting engiresearch and development

"There is still not enough

money being put into preven-tion of sick building syndrome

through R&D," says Dr Hawk-

be persuaded. Under govern-

ment pressure, it has paid

more attention to research and

maintenance of existing

systems is thought to be a

more lucrative pursuit than

installing new and innovative

In an industry still climbing

painfully out of recession, research and development runs

the risk of being consigned to

products.

new innovation. But remedial

Industry, it seems, has yet to

Although it has 21 research projects under way, Ms Anne King, the association's marketing director, admits: "We do not compare favourably with overseas competitors on R&D. Britain spends less than Germany and Japan on research, even though government backing has not been cut."

By implication, induswhich funds 23 per cent of BSRIA's £2m research funding - could do more to support development of new technology. But in a sluggish commercial property market, construction companies are anxious to keeping building service costs to a minimum and have been slow to change.

There are, of course, buildings which show that innova-tion works. Mr Stephen Willis, at the BRE, cites the De Montfort University's new school of engineering and manufacture as an example.

Part gothic, part art deco - it makes use of natural ventilation and large areas of glass to maximise light and heat.

Mr Willis claims that similar schemes are relatively rare because of a lack of training initiatives among the building service engineers who advise on plans for new or refurpished buildings.

"I don't see a great deal of evidence of professional training. Without that, one ends up reinforcing the conservatism in British building services."

Dr Hawkins at Surrey Unirsity agrees. He blames mos of the problems on air conditioning systems, one of the main contributors to sick building syndrome.

"We seem to be extremely bad at getting air conditioning to work properly. I've come across a lot of companies with excellent facilities which are allowed to deteriorate through poor maintenance."

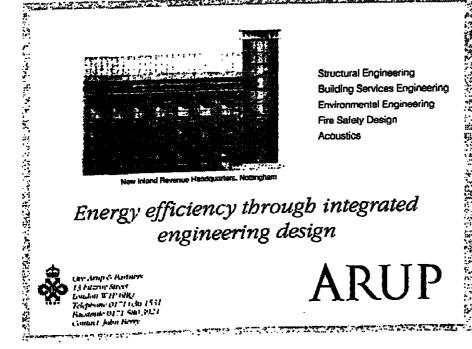
Claims that a lack of professional training is largely to blame are rejected by the Chartered Institution of Building Service Engineers.

There has been a shift to continual professional training since the mid-1980s, according to Ms Jennifer Hand, spokes-

woman for the institution.
"Our 15,500 members are required to keep abreast of new developments and we have increased the emphasis on updating skills for professional building service engi-

neers," she says. Citing changes in the train ing framework, Ms Hand points to the scheme run by Ove Arup. Under its training programme, some 300 graduates are guided by senior supervisors through courses ranging from acoustics to

structural engineering.
"It's a throwback to the apprenticeship system and we now create a gateway for graduates to pursue the right career as part of a professional review process," says Mr Roger Chantrelle, training and devel-



cartoon sums up some of the thinking behind recent moves on the environment in the building services industry. It depicts a bright, pristine planet earth with two figures. One, called The First Client, is drawn with a god-like flowing white beard and gown. He instructs a small, confused individual called The First Engineer: "Okay, now put in the ser-

vices". The next image is of the same planet almost completely covered in smoking pipes and tubing, oxygen tanks and numerous different gadgets. The client says to an exhausted engineer: "Fine, fine. But where do the lifts go?" if only there had been more communication - if only the engineer had been in on the act of creation at the beginning - his efforts to supply the end product with the services it needed would not have been quite so damaging. The cartoon is used on the cover of a report which aims to do something about this state of affairs.

The Building Services Research and Information Association published an environmental code of practice earlier this year. The code, sponsored by a range of clients and funded by the Department of industry, aims to cover the process of building from inception to dismantling.

Although most people in the building services industry accept that their chances of improving the environmental impact of buildings would be enhanced if they were brought in at the inception of any project, the code aims to provide advice and recommendations for the "real world", says its author, Sandy Halliday, principal engineer and environment ection leader at BSRIA. This world consists of engineers being called in once a building is built, or for refurbishment once it is already past its prime, or for demolition.

ENVIRONMENTAL ISSUES

Code of practice published

The code, the result of three years' work, will be distributed to architects, project managers, quantity surveyors and designers as well as the association's 800 or so building service members. It was sponsored by a range of clients, actually necessary. "This sounds radical for a council to housing project building services engineer." groups. "We realised quite early on that it was pointless trying to do this in isolation:

was going on," says Halliday. Lack of awareness and lack of communication have been at the root of the problem for tionally engineers have been given a box and told to heat it

- how to improve the environmental impact of waste disposal, for example - but it also paints the work of a building services engineer on a wider environmental canvas. It questions whether a building is

says Ms Halliday, "but not enough of us actually ask whether we need a building in that everybody involved in the first place." building had to realise what The report warns of the effect that a badly-designed

building can have on the local environment, Demolition of unsightly buildings is a "wasteful use of capital resources", it says. It criticises the move away from the use of

Many have already taken on board some of the issues dealt with by the code

to such and such a temperature and cool it afterwards. The work has been thought of in terms of providing equipment rather than a living environment. There has been no concern about what the effect on the local environment is going to be, let alone the global

The association felt that the accepted attitude had to change. It soon found that members were willing to listen. More members of the association supported the £140,000 environment project than had supported any other in BSRIA's 19-year history. The report focuses on the life

cycle costs of a building rather than the first cost of construction. It deals with the basics

sunshine, natural light and air in buildings. "There has been an increasing tendency to replace these natural systems with energy-consuming building services which are frequently more prolific, less functional and less efficient."

Many in the industry have already taken on board some of the issues dealt with by the association's code. The Justham Dunsdon partnership, for example, has been working on a feasibility study for National Westminster bank. The engineering consultancy propos to use a system of air conditioning or "comfort cooling" which aims to save the bank £750,000 a year in energy costs. Most of this saving would be achieved by employing a system of refrigeration which uses

the outside environment. Keith Dunsdon, principal partner at the company, believes the industry is only now beginning to wake up to the benefits of environmental technology and developments. "We were perhaps too happy in years gone by to use systems which had worked quite well in one building for all buildings. Now we are being encouraged to be more innovative as well as practical in our energy

efficiency, for example."

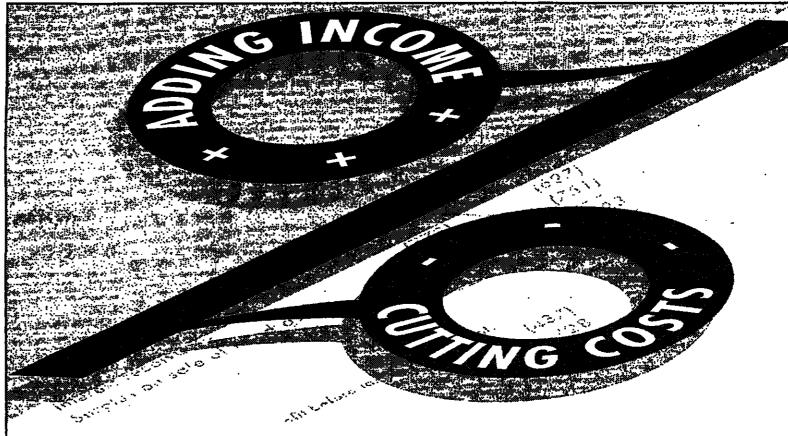
This change was brought about by a number of factors but particularly the recession, he says, with "people expecting twice as much for their money". Both he and BSRIA are clear that long-term environmental benefits go hand in hand with cost savings in winning projects.

Mr Dunsdon adds that the job is easier with educated clients who understand the advantages of constructing environmentally-friendly buildings. "Sometimes people are worried about new ideas. We've been lucky in working with clients that understand.

A follow-up project will chart the economic and environmental implications of the code by analysing the effectiveness of case studies in the public and private sector later this year. Sandy Halliday says: "We didn't want to end it there; to say: 'A code has been drawn up - that's it'. We had to make a judgment about how effective the recommendations were in actually cutting harmful emissions, improving the environment and saving money. That's

the next step." Much of the work in terms of attitude has already been done, she says. "At the most basic level, engineers recognise that good sense about the environment makes good business sense. If you can save money by turning lights off, and at the same time save a lot more,

Jane Martinson



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PHILIPS

Attitudes to air conditioning are changing, says David Lawson

Is it time to switch to comfort cooling?

difficult to find one that is not festooned with "comfort cool-The term has been imported from the US - and there lies part of the reason for this sea change. It is what Tim Battle. an engineer trying to turn back the tide of technology,

wenty years ago you would have been hard

pressed to find a new

building with full air condi-

tioning in the UK. Such tech-

nology seemed pointless in a temperate climate. Today, it is

calls an invasion by the Coca-Cola society. In other words, adoption of all things American, glitzy and futuristic in the constant striving to be modern. This has infuriated conservationists, who argue that such energy-hungry systems, with their chlorofluorocarbons and potential health risks, are an

unnecessary luxury. Some of the very engineers who have to design and build the systems are often sympa-thetic. "Modern technology is very seductive," says David Lush, a consultant with Ove Arup and past president of the Chartered Institution of Building Services Engineers.

Disapproving noises are also coming from the government, which tried earlier this year to put draconian restrictions on air conditioning in the next round of building regulation reforms. "There is a general disappointment that they

only tells part of the story.

e Corbusier described the house as a

machine for living in, but the meta-

■ phor becomes a literal truth when applied to commercial buildings. They con-

tain a network of systems as complex and interdependent as any production line.

and air-conditioning maintenance alone

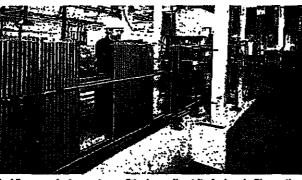
has more than outweighed that saving.

failed." says Kenneth Dales president of REHVA, the European Heating and Air Conditioning Associations.

The industry won a reprieve by arguing that blanket restrictions were wrong. But ministers have made it plain they expect designers to come up with measures that ensure systems are installed and that those that get through are more efficient

Equipment manufacturers feel the problem has been overstated. In real terms, air conditioning accounts for less than 1 per cent of the UK's output of carbon dioxide and less than 4 per cent of energy consumed by the commercial building sector, according to York International, the world's largest producer. Advances in technology are making the figures look even better, while CFCs will also have disappeared by 1995, it says.

But it is harder to argue away the conclusion that air conditioning has been overused. Growth of new technology has placed greater demands on cooling systems from computers crammed into even the most mundane work-



place. As the noise and dirt of air volume (VAV) systems. city centres kept windows closed, air conditioning soon became a standard fitting for most city-centre buildings. It then spread to business parks and suburbs where the need for such systems is less clear. A combination of recession and fears about global warming may be about to create another sea change, however. Engineers have always blamed developers for overspecifying buildings. They, in

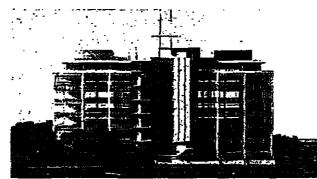
turn, accuse estate agents, who

claim occupiers will not take

anything less than full variable

But one of the country's largest developers is about to test this in a 140,000 sq ft block planned for central Croydon. "Our findings show that occupiers are willing to pay a little more for a greener building which cuts energy bills by 30 per cent," says Bob Delafield, project manager for Norwich This desire to cut running

costs - tinged with fear that some kind of carbon tax will emerge later this decade to make things even worse - is still at the experimental stage.



Greener building: a model of the Norwich Union's project in Croydon

Building will not start until a Jones Lang Wootton. tenant decides that energy-saving is vital and signs up for the

Norwich Union is also hedge

ing its bets. This is not one of those "landmark" developments which turns up every few years, hoasting complete lack of air conditioning in favour of natural ventilation. Those are plainly not feasible on anything other than a greenfield site where you have freedom to manipulate important factors like orientation to the sun," says Graham Love, head of project consultancy at The Croydon scheme is

likely to offer "appropriate" cooling such as displacement air techniques, which cut run-ning costs to about half the level of full VAV. But the designs are still flexible enough for future occupiers to fit the sort of systems they desire. The building will be "capable" of using low-energy methods, says Bill Dickson of architects Sheppard Robson. Occupiers will have to decide whether to use that capability. Success will be judged by the business world not in environ-

ting. That could lead to further schemes taking off. Mr Dickson has three others

on the drawing board, while Tim Battle, a veteran low-enneers Rybka Smith Ginsler and Battle, is also hoping to spread his efforts beyond this development. He is advising the Prudential on plans for 250,000 sq ft of offices on the site of Forbury House, Reading, an obsolete Sixties building. This could involve energy-saving construction such as minimising solar gain, as well as "appropriate" air conditioning.

It is also significant that both are city-centre sites, says Mr Battle, destroying the myth that such developments are

restricted to green fields. Norwich Union may also try these new ideas on a proposed office block in City Square, Leeds, although chilled ceilings could be more appropriate for this site.

No amount of success is likely to see central London. the powerhouse of office building, swept up in such changes, however. Rents are much lower in places such as Crov-

don and Leeds, so running costs play a bigger role and are more important to tenants. "If we took this to the City or West End, it is much less likely to be accepted," says Mr Delaf-

But success in Croydon would be a significant break with the stultifying "institutional standard" blamed for blanket provision of full_air conditioning in so many office buildings. Letting agents will take immediate interest and give way to engineers' pleas for systems which suit individual needs.

"We are teetering on the edge of change," says Mr Dickson. "Developers know they must provide cheaper buildings. Employers realise that essential staff will not be retained by flashy gimmicks and gold-plated taps." That means a combination of economy and comfort - all within increasingly stringent regula-

Air conditioning is not going to disappear, despite the wishes of dedicated conservationists. But it will be brought under control. Perhaps this is a good time to change the name to comfort-cooling after all, if only to get away from the idea that buildings either have air conditioning or don't. Far more effort will now go into appropriate systems selected from a wide spectrum of services honed to greater efficiency.

David Lawson on the systems needed to run a commercial building

Working and living inside the machine

Most are well hidden, particularly in sleek modern buildings. But you only have to glimpse the "inside out" profile of the recession and still face tough competition. Lloyd's Building in the City of London to One cause for concern is the fact that see some of what normally lies under the charges have risen between 6.8 and 7.4 per skin. Even this jumble of pipes and ducts cent in the past year, according to JLW. Increases look even more shocking over 10 A better guide comes every year in the years: since 1983 charges have soared landlord's service bill. Electricity, security, almost 80 per cent for air-conditioned heating, cleaning, water and lifts suddenly buildings and nearly 100 per cent for othbecome highly visible. A company which ers. But much of this can be attributed to took great pains to knock £1 a sq ft off its more arduous demands from occupiers. rent on a building finds that the heating Ignorance is fading as businesses employ more experts and grow to understand the impact of services on output. Manufactur-In fact, the average service charge for ers have always known that productivity varies with comfort. Today's office factoair-conditioned buildings is running at

more than 56 a sq ft, according to the ries are no different. annual analysis just produced by property One of the biggest advances in building consultants Jones Lang Wootton. Norservices over the past 20 years has been in mally ventilated ones cost about £2 a sq ft the air that occupiers breathe. "Standards less. That may represent only a fraction of have doubled", says John Miller, technical services manager for JLW. New city-centre blocks are sealed from the pollution and overall costs, particularly in high rent and salary areas such as south-east England. But it represents an area for savings to noise outside. Each now has a carefully occupiers who have struggled through balanced interior environment where the

temperature and air quality is in the hands of a machine. A constant battle goes on between sup-

pliers of different kinds of systems. Chilled ceilings, for instance, are currently touted as a cheaper alternative to the variable air volume (VAV) methods which became almost standard in the property boom. "There are always fashjons," says Kenneth Dale, president of REHVA, the European Heating & Air Conditioning Associations. He points out that chilled ceilings were being used more than 40 years ago

and are common in continental Europe.

But the biggest battle is over whether to use any kind of air conditioning at all – an issue which is dealt with in more detail elsewhere in this survey. Energy-guzzling systems appear to be doomed as governments seek to control carbon dioxide emissions, and most technical advances are now taking place in making artificial ventilation more efficient and healthy. The other big change in service systems over the past 20 years has been in the technology. Office buildings in particular have been dragged into the electronic age. Almost every building today is laced with miles of cabling carrying power and information to desktop computers, printers, faxes, photocopiers and moderns.

his has fundamentally changed construction methods. New buildings have deep floor voids to accommodate the cabling and hollow ceilings for the heavy-duty ducting necessary to draw off heat from the electronics. Older build-ings are probed to find existing gaps for the services - or written off as obsolete. "There was also a physical change as information storage moved from the filing cabinet to the computer disc," says Graham Love, head of project consultancy at JLW. In simplistic terms, that meant a move from concentrating on how much weight each square foot of floor will support to how much power it can provide.

This aspect has developed into another battle. Older buildings were under-powered; new ones are over-powered. "Ten years ago they could handle around 5 watts per sqare metre but this soared to as much as 40W in the boom," says JLW development management partner Paul

But today's normal user requires only 15W-20W, and these blocks look embarrassingly overblown at a time when energy-saving is a priority. The British Council for Offices has brought out guidelines far below this peak.

The industry clearly went too far - an accusation commonly heard from building service engineers who feel they are rarely brought into the construction process early enough to point out such errors.

Over-powered buildings exist because agents said this was what the occupiers demanded. "But they were forecasting straight-line growth in power demands without taking into account that the tech-

nology would become more efficient," says Peter Marks who as head of property management services at JLW now has the task

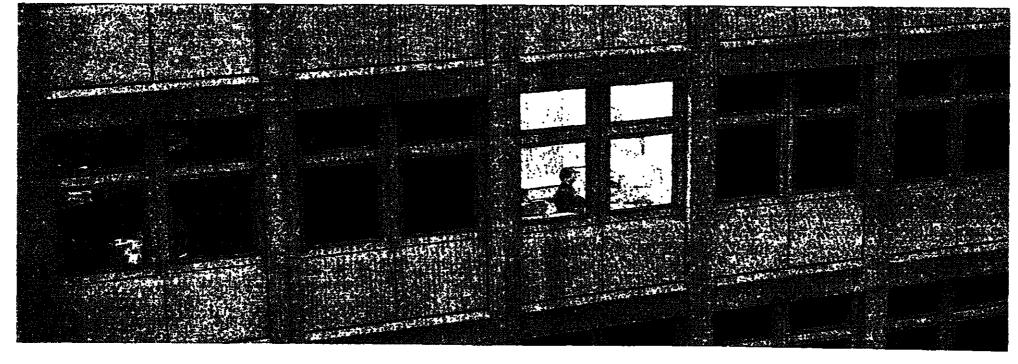
of explaining big bills to occupiers. Other "advances" in building services are less controversial. New technology has been harnessed to management, making control of various systems more efficient. Even the most modest warehouse can be fitted at a reasonable cost with computers which automate control of ventilation. temperature, access and safety.

The drive for energy efficiency started in the early Seventies with oil price increases but has continued to make ground through advances in areas such as boiler technology. Fire engineering has moved forward to cope with new demands such as enclosed shopping centres, the chimney-like properties of office atriums, and a host of new health and safety regulations particularly from the European Commis-

The closest many occupiers get to perception of the machine around them is when they stray into the building manager's screen-clad hideaway after getting out of the lift on the wrong floor. But if the lift itself breaks down, they realise how dependent they are on this technology.

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MANAGEMENT

he chief executive in charge of the most prof. Robert Corzine charge of the most prof-itable parts of Europe's to a simple corner desk in a noisy, computer-crammed, open plan office computer of the Richard in Solihull near Birmingham. His coffee comes in a flimsy plastic cup. but only when he takes the time to go to the dispenser. When sitting at his desk his every word can be overheard by nearby workers.

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 $\leq \frac{\lambda_{\rm GS}}{a\ln t}$

Visitors seeing his plight could easily mistake him for the classic victim of a boardroom coup, sent packing from his serene riverside suite in London to a provincial out-

But Harry Moulson, managing director of TransCo, the pipeline and gas storage company at the heart of British Gas, is merely making a statement about cultural change at a company in the midst of a restructuring and re-orientation exercise of a scale and complexity rarely attempted.

stable, some would say stuffy, monopoly utility steeped in a public service ethos.

Today, after a series of government reviews and bruising battles with its regulator and would-be rivals, the chill winds of market competition are increasingly being felt. In particular, British Gas faces upheaval in its main domestic business and the prospect of a sharp drop in market share once competition is phased in, beginning in 1996.
The scale of the management challenge is formidable — "unlike

anything ever attempted by a big multinational oil company," according to one industry observer close to the company. On top of a radical corporate restructuring - in which it will shed its integrated status, along with 25,000 jobs, a full third of its staff - the company is trying to secure a premier position in the rapidly evolving but intensely competitive international gas industry.

As Richard Giordano, its new American chairman and Cedric Brown, chief executive, emphasised last Thursday, however, a new structure and strategy are worth little unless there is a wholesale

change in corporate culture. For most of its history British Gas has been a deeply inward-looking, strongly hierarchical organisation, with as many as "13 management and supervisory levels between the chief executive and the guy who dug holes in the streets", according to Moulson, whose unit includes £19bn worth of gas pipeline and storage assets.

The hierarchical structure was built around semi-autonomous "gas generals", who ruled the 12 regions into which the UK business was divided. Many of the generals' lofty corner offices and private dining rooms at the old regional headquarters now stand vacant, their occupants having fallen victim to the decision last March to disband the regional structure in favour of five national business units.

But have the bureaucratic, anticompetitive attitudes ascribed to the "old guard" withered with their

Many of British Gas's competitors message conveyed in their public statements aimed at the politicians who have yet to decide whether to put forward the legislation needed to turn the government's commit-

new age at British Gas as it faces upheaval in its main domestic business and the prospect of arely attempted.

Three years ago British Gas was a Sharp drop in market share once competition is phased in, in 1996



Fuel for a more fiery future

Others who deal closely with the company, including Clare Spottiswoode, director general of Ofgas, the company's regulator, insist that there has been a cultural change, at least at the highest levels.

She notes that senior executives in charge of the various business units often assume conflicting posi-tions in negotiations with Ofgas, with, for example, the trading side of British Gas lining up against TransCo executives.

Spottiswoode, who believes cultural change at British Gas is a prerequisite to the effective introduction of competition in the domestic gas market, wonders, however, whether the competitive spirit is being embraced further down the

Senior British Gas executives share her concern. One recently commented that "middle ranking managers are scared to death" of the changes taking place. That is not surprising, given the fact that all employees are having to re-apply for their jobs as part of the restruct-

the new competitive world also flies in the face of the company's his-

hard to sell to a workforce which "has spent the last 30 years in a

ment," admits Moulson. That style of management can be traced to Sir Denis Rooke, the strong-willed chairman who served from 1976 until he stepped down in favour of Bob Evans in 1989.

His tenure was marked by sub-stantial technical and engineering achievements, not least of which was the \$1bn (£670m) conversion of 12m households from manufactured coal gas to natural gas. At the time he described the programme as "perhaps the greatest peacetime operation in this nation's history". Sir Denis also helped to dispel public doubts about the reliability and safety of gas as a fuel by emphasising a "belt and braces" approach to

uch an attitude befits a company in which serious failures can literally blow up in management's face. But it also fostered a bureaucratic mentality and an aversion to risk-taking.

"To avoid risks, you put in lots of example the long paper trail that until recently accompanied even the most routine requests to authorise work on gas connections to commercial and industrial customers. "There were 28 handover points for

command and control environ- the request, which took an average of 27 days to process."

That process has since been cut to six handover points within five days. But other examples of the "belt and braces" approach persist. A case in point is the Central Area Transmission System gas terminal on Teeside, where the first new connection to the high-pressure national gas transmission system in 10 years is to be built. In the initial talks with the terminals operators British Gas said it wanted to station a 10-person team in a separate building on the site to oversee the connector. When questioned as to why it needed such extensive facilities, British Gas simply said that was the way it had always been

Steady persuasion by its partners eventually resulted in the company acknowledging that the job could be done by one person sharing an office in the existing administration building. Breaking down such entrenched attitudes is a priority for the heads of the business units.

Moulson's decision to give up the be a largely symbolic gesture, but it sends a message that the old barriers to communication between senior executives and their staff have come down.

"British Gas executives have tra-

ditionally not been very good at lis-tening," notes Moulson. "They were much better at telling."

TransCo is well on its way to reducing the 13 management levels to just five or six. But not all of Moulson's attempts to break down internal barriers have succeeded. Many manual workers react to talk of "empowerment" with suspicion, even though Moulson tries to reassure them that it means nothing more than "having a go and trying different things".

Many senior managers can also be uncomfortable with the more open style. "All too often you ask someone what he thinks of an issue and the response is: I can give you a paper on that'," bemoans Moul-

The emphasis on "openness" extends to TransCo's dealings with its customers, which include the trading divisions of British Gas as well as the 30 or so independent gas marketers. Last year many of the independents accused TransCo of deliberately hindering their operations in the industrial and to competition. They believed it was part of a campaign to block wider competition.

TransCo executives say those problems resulted from the speed at which the competitors captured

market share and from shortcomings in a technical system which have now largely been overcome.

They also claim that the new commercial culture at Solihull has eradicated the doubts and suspicions of all but a handful of the independents. They concede, however, that many independents are less sure that the anti-competitive attitudes have changed at the district level.

The transition from a cosy monopoly to the competitive market may be even more wrenching for the 8,000 or so staff employed by Public Gas Supply, the Stainesbased business unit which will have to compete head-on with the independent gas marketing companies when the domestic market of 18m households is liberalised later this

ike Alexander, the PGS chief execu-tive, is also cutting out many layers of unlike his counterpart at TransCo. whose workforce will remain relatively stable, Alexander will have to slash personnel numbers in order to come anywhere near to being competitive with the independents.

The need to cultivate a more commercial approach among PGS staff is if anything more urgent, given the fierce competition expected

from would-be rivals.
In addition PGS, whose main function is to handle routine customer accounts and complaints about their bills, is unlikely to find stability at the end of the restructuring exercise.

Anne Hemmingway, head of the Southampton-based Southern divi-sion, says employees often tell her what a relief it will be when the current round of uncertainty over jobs and structural changes is behind them.

Her answer, she says, is always the same. "What makes you think

its going to to settle down?"
Senior PGS executives concede that instilling commercial attitudes in people who freely admit that they joined British Gas for a quiet, orderly office life and job security will not be easy.

"Our task is to get people buzzing," says Hemmingway. That "buzz" is evident among the first supervisors in Southampton chosen to undergo a course that will help them to "allay the fears and stop the panic" among their more junior

colleagues.
In recent weeks they have spent most of their time in a room plastered with posters extolling the virtues of customer care and employee empowerment. They acknowledge that it may be a problem to persuade many junior staff to take responsibility for even simple tasks, let alone convincing them to take advantage of customer contacts as a possible "selling opportunity".

They also agree that many of their middle-ranking management colleagues may not make the transition from supervisory roles to one in which the emphasis is on "coaching, counselling and assessing".

It will be some months before executives know if the change in attitudes which such words imply will take hold. There is little doubt, however, that British Gas has at least begun the "complete and radical transformation" of the culture which Cedric Brown last week identified as a key to future success.

branch staff does not arise.

Yet it seems I am in a minority

with my stand-offish attitude. So far

Lloyds has held over 1,000 of such

evenings, making these branch

booze ups one of the most popular

mal people turn up: all ages, classes

and colours are represented, not

papers in block capitals or in green

Surely all these people cannot be

motivated by the free drink, nor by

the desire to see the other side of

the cashier's glass screen. It seems

our banks have a special hold over

us. Because they have the knack of

making our lives difficult by mess-

ing up our affairs and overcharging us, only to be unbelievably slow to

rectify matters, they turn the most

laid back person into a first rate

moaner. There is a pleasure to be

had in complaining to the right per-

son, so perhaps an invitation to

make a night of it is not to be

scoffed at.

The bank says that perfectly nor-

nights out across the country.



PIONEERS AND **PROPHETS**

Frederick **Winslow Taylor**

Engineer, inventor, consultant and tennis champion, Taylor gave his name to what was probably the first true international managemen

movement.

Many of the Philadelphia
Quaker's ideas on productivity and the organisation of work have been discredited since his death in 1917. But the influence of Taylorism can still be felt in modern management theories not least the currently fashionable business process re-engineering.

Taylor was obsessed by efficiency and measurement and set out to prove scientifically that a machinist, for example, could produce a specific quantity of output in a given time. At Midvale Steel Works where he became chief engineer in the 1880s - the jobs of foremen were redefined and a set of clear procedures established for certain jobs. Stop watches were distributed to the foremen as Taylor attempted to break down the work into its component parts (an essential feature of latter day BPR).

In Principles of Scientific *Management* (1911) – a book based largely on his experiences at Midvale and later at Bethlehem Steel and the most quoted source of his ideas -Taylor argued that scientific methods should replace the old rule of thumb ways in which workers operated; that workers should be scientifically selected to be "first class" at a particular task; and that work should be equally divided between workers and management.

Taylor was also one of the first to develop the idea of payment by results, introducing differential piece rates and achieving significant cost reductions in the process. As John Mapes, senior lecturer in Operations Management at Cranfield School of Management, points out however, this part of the legacy is less appreciated today. "Taylor put the emphasis on

Taylor's "top down" thinking and tendency to think of employees mainly as pairs of hands are also out of favour. He was never flavour of the month with the trade unions, one of whose US leaders claimed that "no tyrant or slave-driver in the ecstasy of his most delirious dream ever sought to place upon abject slaves a condition more repugnant". Lyndall Urwick an army officer who read Principles in the first world war trenches and was inspired to found a movement for scientific management – remarked that the strength of the union movement prevented Taylorism from being fully implemented in

Historians like Peter Drucker maintain Taylor started out with well-intentioned social rather than engineering or profit motives, and improving workers' living standards was one of his central aims.

Taylor's talents were undeniable. He was a prolific inventor, taking out over 100 patents for ideas. He won the US tennis doubles championship in 1881 and succeeded in getting the rules of baseball changed by proving that over-arm bowling was more effective than

This is the first of a new series.

Petroleum Argus

Tim Dickson

Mother knows how to manage best

have just been sent some research by a pair of US doc-tors, both called Rick, and both world experts on how to cope with difficult people at work. As I read through the tactics they recommend for procrastinators, bullies and whiners, I felt an odd sense

of déjà vu The account reminded me of another book, one which belongs not on the management shelves but with the books on yoga and child-birth. It is a slim volume called Getting on with Your Children. All the management techniques are in it, and all are applicable to difficult workmates and to easy ones too. There are sections on the destructive power of criticism, the importance of praise, the need to listen and on learning from mistakes. Its account of how to make your children independent and responsible could be transcribed word for word into one of those new books on

Admittedly, the analogy is not perfect: it is not usually appropriate

to cuddle your workmates, nor can you confine your colleagues to their cots when they become too tiresome. Equally you cannot fire your children: or expect them to increase your family's revenues.

Still there are enough parallels to suggest that the best managers may not be those pinstriped men who have had years in the boardroom and been on all the right manage ment courses. They may be mothers who have successfully brought up large numbers of trying children. Anyone who can deal with a manipulative three-year-old or a two-yearold throwing temper tantrums will find even the worst varieties of wayward behaviour in the office a piece of cake.

For over three decades management experts have been preaching ways of making meetings more efficient. Yet so far their advice has not made a jot of difference: the average manager still spends 40 per cent of every



day in meetings, and still complains that most of that is a frustrating waste of time.

Fresh from the US comes a radical solution - the "open space" meeting. This turns all the old advice on its head: instead of sticking to an agenda, the agenda is dispensed with altogether. Instead of keeping the session short, these meetings last at least a day, and possibly three. Far from paring numbers to the minimum, everyone is invited - 700 people would not be considered too many at an open space gathering. During the meeting anyone can pin up their ideas on a board and those who agree can

"So you're flying KLM

on the London to

Amsterdam stretch."

"Exactly."

sign up to them. The session may then be subdivided into "workshops" so that the ideas can be thrashed out in more detail. According to Wikima Consulting. which is attempting to import the idea into the UK, these meetings encourage "unparalleled creativity, motivation and commitment". Amarently they allow companies to be rebuilt and

conflicts to be resolved. There are some peculiar management practices about, but this one takes the biscuit. The Presbyterian Church in the US and the World Bank are great fans of the open space meeting. But then one organisation has faith, and the other is in such a bureaucratic muddle (a former employee said in the FT last week that board members were mushrooms - kept in the dark and fed on garbage) that any change is likely to be an improvement.

Some time ago I wrote about employees' evenings, strange occasions at which workers gather with their bosses for a question and answer session over a drink and a few nearuts. Here is an even odder concept: the customers' evening. If you bank with Lloyds, you may have already received an invitation to visit the local branch after hours, for a glass of wine and the opportunity to tell them how you feel about the new open-plan branch layout

just the people who write to news-

I can't think of anything I would like less than to spend a precious evening visiting my bank to discuss whether the lighting is too bright or too dim. Fortunately I am a customer of First Direct, so the question of lighting and comportment of



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area altoqether.

Indonesian fire

A dangerous haze from thick smoke caused by Indonesian forest fires has been blamed for at least one collision between ships in the seas between Indonesia and Singapore. Air transport to Kalimentan has been paralysed by the smoke since early last week while flights to indonesia's industrial Island of Batern, near Singapore, have been disrupted.

Malaysia's information minister said at the weekend that Malaysia was prepared to help indonesia control the forest fires n Sumatra and Kalimantan. Pollution from the haze has reached a hazardous level in Kuala Lumpur, the worst-hit area, officials said.

Iran's currency woes iran's interior ministry has ordered private foreign exchange dealers to stop exchange dealers to sto conducting business or have their money

confiscated, the official Islamic Republic News Agency reported Sunday The ministry said it was acting because of repea white about profiteering middle

illegally" lasuing count money at unofficial exchanges. The central bank said official excha centers will be set up across the country to sell foreign currency to

Thai flood alert

Local authorities in Thailand's capital Bangkok have issued a for October 6-11, when a combination of

heavy rainfall and high tides in the Gulf of Thalfand could cause the Chao Phraya river to Six months ago Bangkok was

shortage, but exceptionally heavy monsoon rains have more than remedied the drought. Flooding caused by heavy rain sometimes brings Bangkok's already ślow-moving traffic to a complete stop for

hours at a time.

threatened by a severe water

Italian monument Some 12,000 Italians raited for hours in pouring

rain yesterday for a rare chance to visit the Quirinal Palace, the hill-top residence of popes, kings and – these days – President Oscar Luigi

Scalfaro's daughter, Marianna, led the tours. The 16th century palace atop one of Rome's seve hills was only rarely open to the public, but now tours will be given for three hours every Sunday morning. The Quirinal has served

as home to three popes, four kings and, since 1947, nine presidents who are **London to Syria** The UK's minister of state at the

Foreign Office, Douglas Hogg, arrived in Damascus yesterda for a three-day visit. He has already visited Syria twice since London and Damascus resumed relations in 1990 and Batish officials said the aim of this visit was "to keep up the relationship

Mr Hogg will have talks with his Syrian counterpart, Mr er Caddour, and possibly with other ministers, especially those responsible for the

The UK would like to expand its business relationship with Syria but British companies face stiff competition from Italian, German and Japanese rivals.

Likely weather in the leading business centres

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Charles Batchelor on the competitive challenges for Eurotunnel as it launches its shuttle service today

urotunnel, the Channel tunnel operating company, will today begin carrying a car passengers through the Channel tunnel on its specially-designed shuttle trains - nearly 18 months behind schedule.

The passenger car shuttles are the most important element in Eurotunnel's strategy to wrest dommance of the cross-Channel market away from ferries. The company confidently predicts that it will be transporting at least half of all accompanied car journeys by the

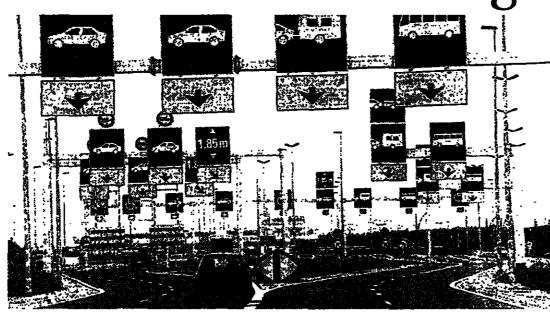
end of 1996. But Eurotunnel's ambitions do not end there. While interest to date in car shuttles has focused on their impact on tourist travel, Eurotunnel commercial director Mr Christopher Garnett has also set his sights on winning a share of the potentially lucrative business mar-

Traditionally, businessmen have only taken a car across the Channel if they had sales samples or equipment to carry. But improvements to the continental motorway network have encouraged many executives to use their cars for more general business travel.

Eurotunnel estimates that about 10 per cent of cross-Channel jour-neys are made for business-related purposes, mostly by hovercraft. Both the hovercraft and the Eurotunnel shuttle service are twice as fast as a ferry crossing. Mr Garnett believes that most executives who put a premium on speed will switch to the more comfortable shuttle ride. Business customers could account for 15-20 per cent of all shuttle travellers, he says.

For the first six weeks of the new service, travel through the tunnel will be by invitation only. Euro-

Watch out, the drive ahead could be rough



Signs of the times: motorists at the Calais entrance to Eurotunnel's Channel shuttle service, which opens today

tunnel hopes to carry 60,000 passengers chosen from among its shareholders - selected by ballot - and from the ranks of its bankers, MPs, MEPs and the travel trade. The company hopes to win over sceptics by impressing these opinion-formers before it launches its "turn-upand-go" service in November. For the business traveller making

a last-minute journey, Eurotunnel's "no-booking service" will be a particular appeal. The frequency of the shuttle departures ~ four an hour once the service reaches full capacity sometime next year - should ensure few delays.

The actual journey for the motorist will be spent in a brightly-lit, air-conditioned metal tube, as

guests found out on a special shuttle launch trip last Friday. The motorist drives down the length of the train and when all vehicles have been accommodated, fire-proof shutters descend from the ceiling. These shutters isolate the carriages, each of which has two decks with room for five cars. Passengers can still move from carriage to carriage,

however, through doors alongside the shutters. Toilets are located in every third carriage.

Unlike truck drivers, who may leave their cabs for a meal in a separate carriage, car drivers must remain with their vehicles. There is little for the traveller to do during the 35-minute journey except read.

The journey through the tunnel is smooth, even at top train speeds of 80mph. The small carriage windows there is, after all, nothing to see during the underground part of the journey - combined with the comfortable ride mean that travellers may not notice when the train actually dips into the tunnel.

The cost of the journey will not be disclosed until November when Eurotunnel launches its "turn-upand-go" service, though the company does concede it is likely to be comparable with the cost of a ferry

Ferry tariffs have stabilised recently after a bout of price-cutting in the spring and early summer, but ferry companies will be watching Eurotunnel closely to match its special offers. Both sides are keen to avoid a price war, however, with Eurotunnel injecting considerable new capacity into the cross-channel market, the competitors will be eager to grab market share.

Although the ferries have most to fear from the launch of the shuttle, it is airlines which will initially be hit by the launch of fast Intercity Eurostar services between London. Paris and Brussels. The railways of the three countries which will operate this service have yet to announce a starting date but it is expected to be no later than November. Demand for seats on the Eurostar trains are expected to outstrip that for the shuttles.

More Choice in ex-Soviet states

One hotel group with far-ranging plans in Russia and elsewhere in the Commonwealth of Independent States is the US-based Choice Hotels International, Alain Ammar. its managing director in Europe, says that the CIS offers "great potential" for western hotel groups, because of a lack of international two-, three- and fourstar properties, writes Michael Thompson-Noel.

However, the group's first Russian property will be a 272-unit, five-star, city-centre hotel in the Petrogradskaya district of St Petersburg, close to the Hermitage museum, which will be marketed primarily to international business travellers.

The former Inter Hotel Petrograd is receiving a \$60m facelift, due to be completed by next autumn. It will reopen as the Clarion North Crown, complete with 10 suites. two-room apartments, a business centre, conference hall, nightclub and shopping mall. Room rates will be \$250-\$280 a night.

Choice Hotels International is a wholly-owned subsidiary of Manor Care, the US healthcare group, and describes itself as the world's largest international hotel franchise business. It has 3,265 properties open or being developed in 34 countries, which it markets under seven brands. Four brands are used internationally: Clarion, Quality, Comfort and Sleep Inn. The other three Econo Lodge, Rodeway and

Friendship Inn - are used only in the US and Canada. Four months ago, Choice signed an agreement with Contract Russia, a leading hotel development and management company in the CIS. The agreement covers 15 CIS countries and envisages the development of 25 hotels under the Choice umbrella by the end of 1998, and about 70 within 10 years. Its main target is the two- and threestar segment.

Properties will be developed via a mix of conversions and new building, concentrating initially on Russia, Belarus and Ukraine. The carly priorities are St Petersburg. Moscow and Minsk. After that, says Choice, will come Novisibirsk, a Siberian city, and Kazakhstan, the oil-and-mineral-rich republic whose capital, Alma-Ata, already attracts business visitors.

Choice says that so far this year it has opened 35 hotels in seven western European countries, including Spain, a new market, and has 58 more under development in Britain, France, Germany, Norway and Portugal. As of last week it had 250 hotels open or being readied in 10 European countries.

Contract Russia, based Moscow, is a subsidiary of Contract Mullersafe Industrie, a Russian financial holding company with interests in engineering, construction, industrial equipment, sales and distribution, and hotel development and management.

St Petersburg, which is expected to attract 3.5m visitors next year, has about 30,000 hotel beds. But fewer than 3,000 of the city's hotel rooms, says Choice, are up to international standard.



A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, cat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus truit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panania and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

do with the people of the tropical forests.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of

natural resources should be sustainable. WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no

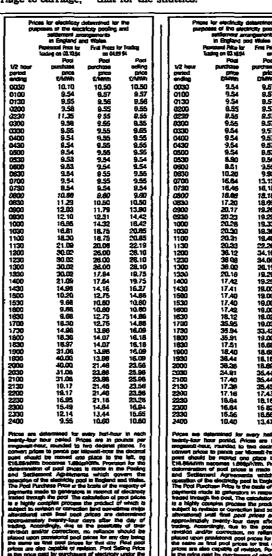
net deforestation by the end of the century. Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature

International Secretariat, 1196 Gland, Switzerland.

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Magic market for Microsoft

ernard Vergnes, pres-ident of Microsoft Europe, describes his ambitions in multimedia carefully. Without wanting to appear arrogant, he says, he wants to be the leading supplier of educational and other programmes - sometimes known as "edutainment" - published on CD-Rom. These are the building bricks of the

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multimedia revolution Microsoft, the world's largest software company, helped pio-neer the genre in 1992 with Musical Instruments, a CD-Rom ideally suited to demonstrating the combination of text, video and quality sound which characterises multimedia presenta-

Today, Musical Instruments still impresses but looks dated compared with newer offerings such as The Magic School Bus, a series to be released shortly. It is said to be Microsoft president Bill Gates's current favourite, and features a yellow US school bus with driver and passengers which can be shrunk to navigate through the digestive system in The Human Body or the cosmos in The Solar System. Microsoft's best-selling Dinosaurs of 18 months ago included five moving video clips; Dangerous Creatures, a new release, has

more than 100. Vergnes, who has worked for Microsoft since 1983 and has been its European president since 1990, believes that the domestic market for CD-Rom is about to expand rapidly, espe-

remard Vergnes, president of Microsoft Europe, describes his ambitions in multi.

The world's biggest software company has a mission to 'edutain', writes Alan Cane

cially in Europe. He reckons that personal computers equipped for multimedia will reach the "magic price" this Christmas at which substantial domestic sales can be expected.

He defines that price as just below £1,000 in Britain or FFr10,000 in France. For this, customers will get a PC built around a high-performance Intel 486 or "Pentium" chip with 16 megabytes of fast memory and a 300-megabyte hard disc together with a CD-Rom player and sound capabilities.

In France, he says, some 25 per cent of PC sales are now through supermarkets. Carrefour, the large French chain, is marketing its own range of five models, some of which can handle multimedia.

Microsoft is taking the home market seriously. It has some 500-600 people, including educationists, psychologists and software specialists, in its consumer group, and is spending just under \$100m a year on developing new titles. Sales are about \$300m a year.

In total, Microsoft spends about \$600m on research and development, most of it on software, which brings a much greater financial return. "We are over-investing for the future in these areas," says

Success in consumer markets is critical to Microsoft's year can be expected for

plans. Its worldwide sales -\$4.7bn (£2.97bn) last year comprise desktop applications, PC operating systems, word processors, spreadsheets and database managers. Revenue growth last year was 24 per

However, Vergnes admits that "the traditional PC software market will not grow for-

A new offering features a school bus which can be shrunk to navigate through the digestive system

ever. One day, probably sooner rather than later, most desk-tops in developed countries will have a PC with a complete suite of business programs".

The company plans to reach sales of \$8bn by 1995-96, but Vergnes says the extra \$3bn will not come entirely from

desktop applications. "Unless

we make at least \$1bn from consumer products, we shall not achieve our target.' He is encouraged by research showing that each professional PC installed leads to purchases of - on average - five software packages during its life. But up to 15 purchases of software a

domestic PCs if the price is right. The consumer software division is turning out three new titles a month. The competition is not sit-

ting idle. Microsoft's principal competitors. Lotus Development Corporation and Novell, have their own consumer products divisions, Recently Novell. the market leader in networking, announced a series of home education CD-Roms focusing on reading, writing and arithmetic.

Microsoft's ambitions in multimedia, however, range across the board. It is spending about \$120m a year on software for the digital superhighway through its advanced consumer technology research group, an élite operation headed by chief technologist Nathan Myhrvold and reporting directly to Bill Gates

Microsoft interprets the high-way as an electronic pipeline into each home able to convey an almost limitless stream of information. Database computers or servers provide the data which is unscrambled by a black box on top of the televi-sion set. Earlier this year Myhrvold's group announced "Tiger": video server software which Microsoft says is the first phase of a complex, interactive video system.

It runs on conventional personal computers. According to

Vergnes: "We believe that tra-ditional PC technology will develop fast enough so that we can build these servers from inexpensive hardware. We can share the processing load between the network server and the set-top box which, after all, is only a powerful personal computer."

There is, thus, a close similarity between Microsoft's model of the information superhighways and the modern data-processing concept of client-server computing where server computers provide data to a network of PCs.

Microsoft's latest operating software, Windows NT, is intended to manage clientserver networks. Indeed. Vergnes believes that business will be first to find applications for the information superhigh-way, with domestic applica-tions following later.

He echoes Bill Gates's complaints that most multimedia trials involve only video-ondemand (VOD) - the ability to call a video of choice to the TV screen. While technically complex, he does not believe that VOD is a true test of demand for multimedia services. In consequence, Microsoft's

own trials – to be held with the US company TCI in Denver and Seattle next year - will be sophisticated and involve a range of services. Example: Vergnes envisages an education forum where teachers and colleges could exchange



reparing for the multimedia revolution sometimes seems like putting a bucket outside and waiting for a rainstorm to fill it: you can vary the size and shape of the bucket, but you can't do much to encourage the rain.

The bucket which has just been put out by Olivetti, the Italian computer group, is called Olivetti Telemedia, and the parent company is frank about its early prospects. "We have an idea of the sup-

ply [of products and services], but we don't yet know what the demand will be like," admitted Elserino Piol. Olivetti's deputy chairman, at Telemedia's launch two weeks ago, although he ventured a figure of \$3,000bn as the poten-

monsoon that must not be missed tial size of the worldwide infor-mation market. Andrew Hill on the regrouping of Olivetti's multimedia side

mation market. In fact, Telemedia is a grouping of the Italian company's existing receptacles for multimedia and telecommunications including a number of small international joint ventures but excluding the mobile telephone venture, Omnitel-Pronto Italia, in which Olivetti has a large stake.

Those ventures include some which have been quietly working on multimedia innovations for the last few years, and others formed only in the last few

Network Systems, a subsidiary of General Motors of the US, to exploit the market for business satellite communications in

Europe now comes under the

Telemedia umbrella. So does the joint venture with Redgate Communications of the US, announced in March, to produce electronic catalogues. But Telemedia will also include Seva, the data services company set up in

others. New operations are being

added bit by bit. Last week, for instance, the Italian company formally launched Italia Online, in collaboration with Italy's business daily Il Sole 24 Ore, to provide personal computer users with access to databanks worldwide. Aware of the risks of devel-

oping a high technology system while neglecting the software, Olivetti has also taken Thus the June alliance established R&D operations in on Grant Perry, a presenter

between Olivetti and Hughes Pisa and Cambridge, among with CNN, the cable television network, as bead of new media initiatives to scout out innovative programming for Teleme-

> At present, Olivetti describes Telemedia as "a virtual company" - a network of autonomous ventures with a common aim, which can be easily adapted to the challenges ahead - and for the moment Telemedia will make only a small virtual profit for Olivetti. In 1994, Telemedia's compo-In 1994, Telemedia's components expect to turn over only strung, according to the com-

L325bn (£132m), 40 per cent overseas, which compares with the group's turnover last year of L8,612bn. Piol talks in terms of an initial investment of \$50m (£32m) in Telemedia, compared with the \$2bn which Omnitel's shareholders will

pump into the cellular telephone venture over the next four years. This does not mean that Olivetti's commitment to the multimedia sector is half-hearted,

pany, by regulatory obstacles. Carlo De Benedetti, Olivetti's chairman and chief executive, rarely misses an opportunity to press publicly for further liber-alisation of the telecoms sector

and development of Europe's IT infrastructure, and Piol takes up the same theme. "At the moment there is not much scope to invest because of the regulatory environment," he said. Deregulation means breaking up monopolies and creating a "pluralistic, competitive market for networks and innovative ser-

vices," according to Olivetti.

and focusing regulatory efforts

on the distribution of scarce frequencies and the protection of free competition.

From the point of view of income, Telemedia and Omnitel-Pronto Italia are still two empty boxes in a group structure still dominated by computer products, systems and services.

But after two to three years of drought in the international computer market, the Italian group knows that it cannot afford to miss the forecast \$3,000bn multimedia and telecoms monsoon.

As De Benedetti said in his report to shareholders earlier this year: "Converging information technology and telecommunications is the new. immense fast lane where Olivetti intends to operate.'

Gaz de France is one of the rare natural gas companies

in the world to offer a comprehensive service from the

original source to the final consumer. It is also at work

beyond its borders, providing its expertise in the areas

offices in Moscow, Kiev, Budapest.

Prague, Bratislava, Berlin, Buenos

Aires. Houston and Montreal.

ARCHITECTURE

A shiver of excitement

Will the lottery change the face of Britain, asks Colin Amery

"I strongly believe man cannot live by GDP alone ... I would like to see everyone in this country share in the opportunities that were once available only to the privileged few."

Those were not the words of Labour leader Tony Blair but of prime minister John Major when he opened the English Heritage conference last month. He was not talking about a radical re-arrangement of government spending plans but pinning his hopes on the success of Britain's national lottery, starting next month, which is expected to produce

billions in revenue. Part of these proceeds will be spent in five different areas, the five "good causes" - arts, sport, national heritage, charities and a fund to mark the millennium. John Major is optimistic that enough ideas will be forthcoming for ways to celebrate the millennium, and that "a wave of creativity will

What is curious about the whole lottery process is that what has been unleashed so far is a wave of bureaucracy and a cascade of commissariats, commissions and committees.

There is also much uncertainty. Who will make the awkward choices about criteria and quality that will determine the success or failure of an application for lottery funds? In fact, it all comes down to the five godfathers of the lottery: their views and opinions are going to count, as are their

prejudices and preferences.

The five godfathers are Lords

who has the awesome responsibility for the millennium.

These five wise men will all receive more petitions and more advice than they can sensibly stand. Their offices have already started to grow and all five have spent a great deal of valuable time at seminars and struggling to establish the best possible criteria to guide applicants for grants.

None of them has been particularly effective about letting the public know what is going on, and none of them seems quite clear about the role of the Office of the Lottery, inevitably known as Oflot. Presumably Oflot will keep an eye on Camelot, the commercial operator of the lottery.

That is clear is that the majority of the cash is to be spent on capital projects and that each project is expected to raise matching partnership funding. This is a likely area of diffi-

Mainly, capital projects means buildings, and there is a shiver of architectural excitment running through the profession at the prospect of an end to the dole queues of archi-tects and builders.

It seems to me that while the heritage world will acquire funds to save more buildings and more collections, the people who are really going to have the most fun are the nine millennium commissioners who are engaged in what their Gowrie and Rothschild for arts

and heritage; David Seiff for charities; Rodney Walker for sport; and Stephen Dorrell, golden opportunity to mark the year 2000 in grand style".

Brooke was also rash enough to talk about providing additional landmarks of very high quality. "Landmark" is a dangerous term that is beyond definition, and the new minister who chairs the commission, Stephen Dorrell, does not seem quite so keen on it.
The nine commissioners are

> per is a lady astronomer; Richard Dalkeith will one day be the 10th Duke of Buccleuch and Queensbery, Robin Dixon is a bobsleigh champion and Northern Ireland businessman; John Hall built a successful but hideous shopping mall called Metroland in Gateshead; Simon Jenkins likes architecture and once edited The Times; Michael Heseltine wanted to be prime minister and now runs the Department of Trade and Industry; Michael Montague is a businessman appointed to represent the political opposition; and Patricia Scotland is a barrister and former member of the Race Relations Committee of the Bar General Council. Their

a curious bunch. Heather Cou-

secretary of state for national heritage. You are definitely missing out if you have not received a personal visit from one or all of these commissioners.

chairman, Stephen Dorrell, is

They were decribed by their own office - rather charmingly as "a panel of informed amatenrs", and they are all desperthe sanctioning of any white elephants. They see themselves as the heirs of the Victorians who built the Great Exhibition in 1851 and of the quiet socialists of the 1950s who built the Festival of Britain.

They are rather anxious not to be seen to be creating monuments. They are much more likely to fund the planting of a forest or the protection of a species than build a cathedral to mark the 2,000th Christian

The national mood - I cannot speak for Michael Heseltine, who has a strong streak of megalomania would seem to be against monuments, and especially against monuments to the egomania of architects.

The Eiffel Tower in Paris marked the centenary of the French revolution and Syd nev's Opera House was funded by a lottery. There have been hundreds of great expositions since 1851. But the number of successful un-political monuments in the world is very

By the end of next month you will be able to fill in an application form for a grant for your very own millennium project. But the guidelines are not quite prepared. The last millennium in

England was presided over by Ethelred the Unready. With such a short time to go, will there be time for the commis sioners to come up with some thing really inspiring that change the face of Britain for ever? The whole thing is indeed a lottery.





An example for Britain: Australia's Sydney Opera House was paid for by a lottery

King of Soya – and Nightclubs

Olacyr de Moraes, Brazilian entrepreneur, tells Angus Foster he wants to live a little

industrialists of the last century started empires based on railways, agriculture and construction. Olacyr de Moraes has gone one better and in a different continent; one of Brazil's most powerful businessmen, he has built an empire spanning all three. In little more than 40 years

he has turned his main company, Grupo Itamarati, from a tiny transport firm into a sprawling conglomerate with an annual turnover of more than \$1bn. Known in Brazil as the King of Soya, he is the world's biggest private producer of soyabean

He owns one of the country's biggest construction companies. He is building a private railway, which could eventually stretch for 3,000 miles and which he hopes will open up Brazil's interior. And now, at the age of 63, he

is investing in telecoms, banking and power generation.
Despite all this, meeting de Moraes is a bit of a surprise. Expecting a strutting tycoon

surrounded by maps of his dominions, the visitor finds, instead, a quiet, initially shy man who easily could be mistaken for a provincial bank

And there are contradictions. Despite his (presumably) enormous wealth and the success of his businesses, he does not seem content. Recently divorced, he has earned another nickname - King of the Nightclubs - because of his relationships with very pretty. much younger girlfriends.

"When you are single, you come to the conclusion you need to live a little," he says. Why should I live the life of a monk? I am still working the same amount as before with the same responsibilities. Our businesses have never done as well as they are now. In fact, I think going out with beautiful women brings you luck."

he great American Paulo state, he started in business in 1947, running a small delivery company in São Paulo with his father. Its clients were mainly in construction; in 1957 after his father's death, de Moraes decided to enter the industry as well

His construction company, Constran, started with small projects, such as building roads and housing. As economic growth accelerated, construction became an important sector for successive democratic and military governments. Constran prospered under both, and grew into one of Brazil's biggest private com-

From 1968, some of the profits from construction were diverted into agriculture. Enormous mechanised farms were developed in the south-western states of Mato Grosso and Mato Grosso do Sul, at that stage thought to be too far from Brazil's main markets to be viable.

These farms, up to 250,000 acres in size, needed irrigation and soil correction to reduce acidity. Once prepared, however, they became extremely productive and Itamarati moved from wheat to soya to cattle and sugar.

According to his public rela-tions resumé, de Moraes built Itamarati "with the talent and keenness of a great entrepreneur who has never hidden the satisfaction that he has made an important contribution to the economic and social development of Brazil".

In person, the King of Soya tells it slightly differently. Tve been successful because of hard work. I started working when I was 12, always on Saturdays and Sundays. It wasn't always wonderful. It was extremely difficult. I worked

He says his main job now is to select the managers for each division rather than be involved in day-to-day decisions: "Each division is now highly professionalised." His son, Marcos Augusto, 27, is being groomed to take over the group and is at present over-seeing investments in telecoms Itamarati is still wholly fami-

ly-owned, and de Moraes sees no chance of that changing. "It is a very big group and there is always some need for one part to help another. For instance, profits from agriculture have gone towards the infrastructure interests. We can do this because we are flexible. It would be difficult if we had outside shareholders."

The group will enter new businesses by providing some capital, but also rely on joint enture partners for skills and finance. Infrastructure prolects, including telecoms and power stations, are key growth sectors for de Moraes. He believes Brazil's government will be forced to withdraw from areas of the economy it traditionally saw as strategic.

Later this year, for instance, the company will start operating two hydro-electric power stations, a business which until 1990 was closed to the private sector.

The government no longer has the money to invest in areas like telecommunications and energy. Public opinion is changing too, and not just in Brazil. Where there is opposition, it comes from employees of the state-owned firms or from companies wanting to keep their privileges. But the Brazilian people have matured and the businessmen have changed, too. Today, there is a growing realisation that we have to lower costs and become more competitive.

Itamarati's largest infrastructure project is also one of Latin America's most ambitious. The company is building the Ferronorte railway which would connect southern Brazil by rail to the Amazon and to interior states where existing links are very poor.

The first section will run 200 miles inland from São Paulo state and is due to open during zil's habit of announcing huge



projects which are never fin-

ished. But they agree that, given de Moraes' record, it is

Considering Itamarati's size

De Moraes says he is now too

surprising that the group has

old to consider a serious move

abroad. He is also convinced

that there are better opportuni-ties in Brazil and that the

country will soon stabilise its

economy and rediscover

growth. A new currency, the

real, was launched last July

and has led to a sharp fall in

inflation, which had reached 50

"The real has given people a

glimpse of what it would be

like to have a stable Brazil," he

grow even when there was eco-

nomic chaos. So imagine what

could happen if we had stabil-

ity; I think we would have

Stability is a dream that he

and countless other Brazilians

have long harboured. But the

chaos in their lives has not

"If I could start again know-

ing what I know now, I'd be 50

enormous development."

dented their patriotism.

per cent a month.

yet to develop outside Brazil.

unwise to be cynical.

the first half of 1996. Itamarati has provided more than half the \$625m needed for this.

Future stages would require more outside financing. Eventually, the railway could carve through northern and western Brazil, at an estimated cost of \$2.5bn and, Itamarati estimates, make 2m sq km of farm land more accessible.

He believes, with a hint of visionary zeal, that Brazil's western states offer the same opportunities that were discovered in the US Midwest last

De Moraes says that farmers along the line, who now use costly and inefficient lorries. will immediately enjoy much cheaper and quicker transport for their rice and soya harvests. Although the projected route of the railway goes past Itamarati's farms, he says the project is important for the whole region rather than just himself

"Our involvement in the project was important; it drew attention to the problems caused by the lack of infrastructure. But only a small proportion, at most 10 per cent, of what is carried on the railway will be Itamarati goods. The project is totally viable with or without the Itamarati group." Outsiders are sceptical about

how far the railway will stretch, especially given Bra-

IN THE NEWS Maverick hunter

of Swiss banking

Martin Ebner, the maverick Swiss stockbroker who is trying to take control of Union Bank of Switzerland, the country's largest bank, was recently referred to as the 'George Soros of Switzerland'.

It is a fairly apt comparison. Such is the 49-year-old Ebner's reputation for making big money for his clients that when he launched a new investment fund last April even in the midst of a Swiss stock market slump – he pulled in SFr3bn within a

Like Soros, he can also lose hig sums. That fund launched and range of businesses, it is in April, called Stillhalter Vision, has just reported SFr240m in unrealised paper losses in its first five months of

But over the nine years since he left staid Bank J. Vontobel in Zurich, to prove that the Zurich market was ready for a professional block trader, Ebner has been phenomenally successful, both for himself and the dozen or so institutions and wealthy

individual clients he serves His broker-dealer BZ Bank, now one of the biggest players says. "The country managed to in the Swiss market, achieved a profit of SFr161m last year. with a staff of only 19. BZ Trust, his asset management arm, has some SFr10bn under

> Ebner personally may now figure in lists of Switzerland's richest people, but he remains an outsider by choice, refusing to join the Swiss Bankers Association or to hobnob with Zurich's financial establishment

es richer," he says. "But I'd Friends and foes alike do it again in Brazil, which is still the best country in the concur that Ebner has an extraordinary nose for market trends. "A genius," his former world from my perspective. It's just that the people are no good!" he says, laughing for boss Hans-Dieter Vontobel

And he is widely respected for his willingness to take big risks - which he does every day as a block trader in Switzerland's relatively illiquid equity market.

But his advance on UBS has startled many. It is the first time he has shown a taste for political, as well as financial,

Henry's growing hospitality

Saudi Arabia's Prince Al-Waleed Bin Talaal limited his comments on last week's purchase of a 25 per cent stake in the Four Season chain to a couple of plain-vanilla sentences in a press release, writes Bernard

He left the rest of the explaining to Chuck Henry, a former investment banker who has emerged as chief dealmaker in propelling the prince into a sizeable player in the international hospitality Henry, 41, describes himself

as "a consultant with a single client". He met Prince Al-Waleed a year ago, while he was a director with CS First Boston's hotel and real-estate division, which was advising Accor, the French group, and the prince on their (ultimately unsuccessful) bid for the Meridien hotel chain.

Henry set up his own company, Hotel Capital Advisers, in New York last July. He will supervise the prince's investment in Four

It will come as no surprise if Henry emerges as one of the Saudi's two nominees on the Four Seasons board. "It's the hope of any investment banker to stop being a middleman and start being a principal," says The Four Seasons deal

comes on top of the 37-year old Citicorp and Euro Disney. among others, which fit his preference for capital-intensive, global businesses with strong brand

Henry also spearheaded the purchase last July of a 50 per cent stake in Fairmont Hotels, a smallish, San Francisco-based chain.

According to Henry, Prince Al-Waleed's interest in the hospitality industry was sparked two or three years

'A lot of people" approached him to buy hotel properties during the recession, when real-estate - especially bard-hit hotels - were out of

ť.

favour with investors. The Four Seasons deal is unlikely to be either the prince's or Chuck Henry's last foray into the hospitality industry; Henry says more are in the pipeline.

Ford's Devine gear-change

John Devine must be something of a stranger at Ford's headquarters in Deerborn, Michigan, writes Richard Waters.

In the last 17 of the 27 years he has been with the US motor company, Devine has spent only six months in Deerborn. Last week, though, he was propelled into Ford's top management team as chief

financial officer. His rise comes from an unlikely direction. For the past six years he has been head of First Nationwide Bank, an underperforming savings and loan subsidiary, which Ford is

in the process of selling. First Nationwide is the US's fifth-biggest S&L. having grown rapidly under Devine. However, it basn't turned a profit for three years - unlike the auto maker's other, highly profitably financing and credit card units.

Financial services have been a good business for some time - but the regulated banking business wasn't a good one for Ford," says He is not specific about what

went wrong, saying only that a highly-regulated industry like banking did not fit Ford well. Prior to the First Nationwide interlude, Devine's resumè bore all the hallmarks of someone who was being prepared for higher things. He had spent time in Europe, where he rose to become controller of product development in 1981, and Asia, where he became president of Ford's Japanese business in

Given Ford's declared intention of integrating its different regional operations. that experience should certainly help.

Meanwhile, says Devine. there is one underlying objective: "We want to keep the profit momentum up - we don't want any let-up.





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CONTRACTS & TENDERS

PRIVATISATION OF THE TELECOMMUNICATIONS COMPANY OF GUINEA

The Guinean Republic has decided to privatise the Telecommunication Company of Guinea (SOTELGUI) through foreign private investment. This any has the monopoly of public sector Teleco

The international request for proposal is aimed at companies, or groups of companies, with previous experience in the management of a public sector company in this field.

Tender documents and further information can be obtained from:

La Division du Portefeuille du Ministère des Finances Direction Nationale des Marchés Publics et du Portefeuille de l'État Avenus de la République, face à l'hópital Ignace DEEN BP 2006 Conakry - GUINEAN REPUBLIC Tel: (224) 41.35.97 Fax: (224) 41.42.20

It is also possible to obtain further information from Arthur Andersen, advisor to the Government, addressing enquiries to: Mr. David DARBYSHIRE (Arthur Andersen London 1 Surrey Street

> Tel: (44) 71.438.3731 Fax: (44) 71,438,5990 Mr. Amand CASALIS (Arthur Andersen Paris) Tour Gan - Cedex 13

London WC2R 2PS

92082 Paris la Défense 2 Tel: (33) 1.49.01.32.67 Fax: (33) 1.42.91.09.90 The tender closing date is 30 November 1994 in view of a privatisation that will take effect 1 January, 1995.

and times plant to guidish a Survey on the Prevention & Detection of Fraud on Tuesday, October 18.

Fraud prevention and detection is a growth industry but just how time and money should companies spend? Tale survey will focus on issues such as the fight against undering, industrial explorage and computer backing.

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Contract for Research and **Development Services**

at the National Physical Laboratory

INVITATION TO APPLY FOR INCLUSION

ON A SELECT TENDER LIST

The Department of Trade and Industry is seeking a contractor to carry out research and development at the National Physical Laboratory (NPL) and to

NPL is a world class centre of excellence in physical metrology with a valuable reputation for integrity and impartiality. As the UK national standards laboratory, it plays a central role in the maintenance and development of the UK National Measurement System and actively supports EUROMET. It also provides high quality expertise in materials testing and characterisation and in information technology.

The Department is to select, by competitive tender, a contractor to pursue this and other research at NPL. It is anticipated that the contract will run for five years, though there may be options for extension. The contractor will have responsibility for the staff of the laboratory and for the assets and property which are necessary for execution of the contract. It is intended that the contractor will be able to compete for third party contracts.

Potential tenderers wishing to be included on the select list should apply immediately in writing to the address below for an information memorandum and questionnaire which must be returned to DTI by Monday 24 October 1994: Mr M Herron, Department of Trade and Industry, (DTI) Laboratories Unit, Room 414, 151 Buckingham Palace Road, London SWIW 9SS. Fax 071 215 1059,

This is a research and development contract where the benefits do not accrue exclusively to the contracting authority but which is wholly remunerated by that authority. As such it falls outside the scope of the EC Services Directory 92/50/EEC but has been notified voluntarily in a notice contained in the Official Journal of the European Communities. The notice was desparched to the Office for Official Publication on 22 September 1994

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PRODUCTION OF THE PROPERTY OF

conductor Emmanuel Joel,

tilting at the windmills in the

with Richard Van Allein



concert half. The building, which the orchestra rents from the Vatican, has just undergone a \$1.5m returblebment, including ENO is fan Judge and the acoustical edjustments.

COPENHAGEN The distinguished Danish Giuliai conducts choreographer, Flemming. to opera for the first production of the new

ARTS

Carlo Maria

the Orchestra

dell'Accademia

Nazionale di

Santa Cecilia

.fomorrow at the

nala re-opening

of the Auditorio

di Via della

Conciliazione.

Rome's main .

Flindt has turned his talent eeson at the Royal Theatra. He IS stading the Danish premiere of Prokofley's The Love for Three Oranges, which opens on Friday. The conductor is Jan Lathern-Koenig, and the cast includes Miksel Melbye and Inger Dam Jensen, .

LONDON WEST END Jeremy Sams is winning a reputation as the rising Renalssance man of British theatre. He writes music (see "Arcadia"). He translates (the recent "Les Enfants Tenthies" and English National Opera's revival of "The Magic Flute"). And he directs. His recent staging (and adaptation) of the Chabrier opera "Le Roi malgre kui" has just entered Opera North repertory; his staging of "Neville's Island", by Tim Firth, was a hit at the Nottingham Playhouse this January and opens at the Apollo Theatre, Shaftesbury Avenue, tonight, Quite a range for a man who only began directing in 1992.

NEW YORK A survey of Italian visual arts in the postwa period opens at the Guggenheim Museun on Friday. Entitled The Italian Metamorphosis 1943-68, the exhibition focuses on a period when Italy became a leading exporter of culture, and Italian design and style became synonymous with innovative quality. It will include Arte Povera paintings, fashion designs by Valentino (right). models of significant architectural monuments artists' jewellery and cinema.

In defence of theatre

Director Richard Eyre warns that the creeping virus of opportunism has infected one of the great glories of British cultural life

here are a lot of good reasons for not going to the theatre. For a start, you have to turn up on time and sit in the dark without talking for longish periods. I know many people who find this an insupportable restriction of their freedom. I once spoke to the financier James Goldsmith in the hope of luring him into sponsoring a play at the National Theatre. "I never go to the theatre," he said. "My legs are too long.'

And I have a friend, a film director, who hates going to the theatre because it is all in wide-shot. Many people prefer the cinema for its solitary, dreamlike disengagement. John Updike says: "T've never much enjoyed going to plays. The unreality of painted people standing on a platform saying things they've said to each other for months is more than I can overlook."

For me this is missing the point; it is the re-creation that animates the art and makes it unique. Theatre will always be unfashionable because of its form, its need for order in narrative and in structure, and it will always lag behind a society that is conspicuous for its formssness. The theatre's concern with the frailty of being human will always look defenceless when set against Mad Max III, The Exterminator, or the confident certainties of politics or journalism.

What I like about the theatre is about it. I like being made to concentrate. I like the fallibility that goes hand in hand with its immediacv. I like the fact that it happens in the present tense, that it is vul-. nerable and it is changeable. I like its sense of occasion, the communal event: going in as an individual and emerging as part of a group. I like sharing time with strangers: a heginning and an end, a sense of birth and a sense of death. And I like the singular combination of magic and moral debate.

There is no art that uses time, space, gesture, movement, speech, colour, costume, light and music in the way theatre does. It thrives on metaphor; things stand for things rather than being the thing itself, a room becomes a world, a group of characters a whole society. Theatre invokes the astonishment of the unreal and the strange, magnified proportions that occur naturally in

The British are supposed to have

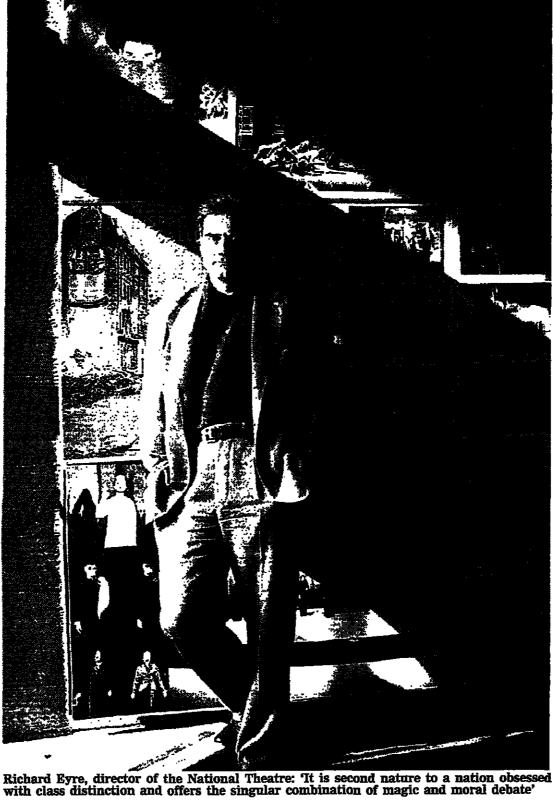
the finest theatre in the world, perhaps because so many of the characteristics of the medium coincide with characteristics of the nation. The theatre exploits ritual, processions, ceremonies, hieratic behaviour and dressing up; it depends on adversarial conflict, the stuff of our parliamentary and legal system, and it is concerned with roleplaying, which is second nature to a nation obsessed with the signs and manners of class distinction, and inured to the necessity, as a nation and as individuals; of pretending to be what you aren't.

But 'today the theatre's ecology and economy have started to resemble those of the country as a whole; it has become infected by the virus of opportunism. A kind of impatience has grown: actors and directors who might previously have been content to do a year or two in a repertory theatre have begun to look anxiously for jobs in TV, in films, or the national companies. and the previous de facto form of apprenticeship for actors in smaller repertory theatres has started to disappear - as has the unspoken sense of shared experience between theatres in Newcastle, Nottingham, Exeter, Birmingham and London.

feeling has grown like a debilitating fungus that maybe these theatres aren't worth saving, and maybe this park serves hospital should be closed down, and maybe we can't justify these courses for adults, and maybe we don't need all these people who don't have jobs and take up all this space and all this money.

I don't believe that it is possible to retrace the steps of the last few years, to perform a sort of social surgery that would change our hearts and minds. We are what we are, and it is we who have made our world as it is. The gift of the postwar era was the promise of freedom: political, and economic, and sexual. It was an illusion: we are prisoners of our own social and economic

But the fact we know it was an illusion shouldn't stop us from wanting a better world with our limited resources. We are not a poor country. The leading Romanian actor and director Ion Caramitru told me in shocked tones, expecting my sympathetic support, that he had only 2 per cent of the public



spending budget of Romania to spend on culture. Ah, I said, if only we had that much.

I always took Margaret Thatcher's dictum "There's no such thing as society," as a figure of speech. I didn't realise that she was so literal, so serious, and so determined to prove her proposition. Her legacy is a sort of political epidemic, a determination to subject every organisation, every institution, to ideological reform at best, abolition at

worst, all driven by the Three Horsemen of the contemporary Apocalypse: money, management

and marketing. I'm not playing naive if I say that
I really don't understand why the government doesn't support the arts more fully, but then I'm no more able to understand why the government can't see that education is the key to our future, and that those who work in education might know as much about it as the

politicians. We mustn't let scepticism, cynicism, or apathy lead us to be mute in the face of any attempts to dismantle those organisations and institutions which were set up in the spirit of optimism and belief that there is such a thing as

*Abridged from Misdirections, to be published on October 27 in a revised edition of Utopia and Other Places by Richard Eyre (Vintage £6.99, 220 pages).

London concerts

Wagner in period

up with musical history. A movement that initially concerned itself with Baroque and Classical repertory has now encompassed the early Romantic period. Under Roger Norrington, the London Classical Players have been steadily exploring the 19th century, and on Saturday at the Queen Elizabeth Hall they stepped further into the "unknown" with the culminating Romantic composer: Richard

The occasion was Norrington's "Wagner Day", devised as an exploration of German Romantic music parallel to the South Bank's Deutsche Romantik exhibition. Its aims were more modest than his previ-ous, celebrated "Experience" weekends, and no attempt was made to cover the range of the Hayward show - that would have meant playing Mozart through to Stockhausen. Rather, Saturday's events focused on the half-century from the death of Beethoven to that of Wagner, and we were restricted to small hites: two talks and two short concerts of chamber music contrasting one early and one late Romantic, Schubert and Liszt; there was no room to explore the darker side of Wagner's Romanticism.

The revelations all came in the evening's concert, the first half of which consisted of overtures by Beethoven (Coriolan), Weber (Freischiltz), Mendelssohn (Hebrides) and Schumann (Genoveva), played on

erformances on "period" instruments of the mid-to-late 19th instruments are catching century, as Wagner would have century, as Wagner would have heard them. After the interval, Norrington picked up the threads with the Overture to Rienzi (written in 1840, seven years before Genoveva), in a thrilling performance where smaller-scale - though never under nourished - climaxes were punctuated by clanging cymbals and shrieking piccolo. Orchestra and conductor clearly relished their new challenge, and communicated their sense of discovery to the audience.

But giving Wagner the "period" treatment means more than playing on gut strings with no vibrato: since the composer's death, perfor-mances of his music have become markedly slower, and Norrington's re-thinking of tempos provided the greatest insights. By observing that the 6/8 time signature in the Tristan Prelude means two beats per bar, Norrington got away from the nowcustomary, cloying six, and in the process gave a performance full of surging passion. In adhering to Wagner's own timing for the Meistersinger Prelude, he produced a refreshing, animated account that underlined the opera's comic spirit.

We also heard the Preludes to Parsifal and Act 3 of Lohengrin. Now we must hear whole operas: arguments about the size of Wagner voices today would perhaps be settled, and - were Norrington conducting - opera houses might save on their overtime bills.

John Allison

Colourful Berlioz

decade or so ago the BBC Symphony Orchestra would probably have called Lits exploration of the music of Hector Berlioz, which began in the Royal Festival Hall on Saturday, simply "Berlioz Series". keting men, such projects have snappy titles, often only tangen-tially relevant. In this case, however, the title "Reinventing the Orchestra" actually encapsulated Berlioz's achievement as a creator of sounds and colours which until then had been essayed only tentatively by his contemporaries.

For Berlioz, orchestration was an integral part of music. His artistic intentions in the Symphonie fantastique - not least its autobiographical content - were made explicit by the composer. Yet there is no sense in which Berlioz's orchestral technique, even at this early stage in his career, lags behind his poetic vision. He may have become more resourceful as he grew older, as was evident by the nimbly delivered Corsair overture which began the evening, but the orchestral effects of the Symphonie are precise, from the Chiaroscuro delicacy of the opium-induced "Reveries" to the brashly scored nightmare of the

"Witches' Sabbath". Given the hackneyed status of the work. Andrew Davis and the BBC Symphony Orchestra turned in a surprisingly fresh and powerful performance, notable for the assurance of the solo instrumental contributions work.

Berlioz's legacy continues in the importance which many of today's composers attach to sound as pure sensation. Future concerts in the series (7 and 10 October) will include works by two of Scandinavia's leading young composers, Magnus Lindberg and Kaija Saariaho, already well known in the UK, for whom colour is indispensable. On Saturday it was the turn of the Dutchman Tristan Keuris. whose Concerto for Saxophone Quartet was receiving its belated London premiere eight years after it was completed. Despatched with virtuosity by its dedicatees, the Rascher Saxophone Quartet, it emerged as an attractive, rumbustuous jeu d'esprit, overlong perhaps, but teeming with incidental detail and displaying an orchestral facility of which Berlioz himself might have been proud.

Antony Bye

INTERNATIONAL

BERLIN

OPERA/DANCE Deutsche Oper John Dew's new staging of Andrea Chenier can be seen tomorrow and Sat. Rafael Frühbeck de Burgos conducts a cast headed by Lisa Gasteen, Richard Margison and Alexandru Agache. Repertory also includes Fidelio, Die Zauberflöte, Der Rosenkavalier and a Balanchine programme (341 0249) Staatsoper unter den Linden A new production of Rossinl's Tancredi can be seen in two different versions this week - the Ferrara version tomorrow with Jochen Kowalski and Lynne Dawson, and the Venice version on Thurs and Sat with Kathleen Kuhlmann and Jeffrey Francis. Both are conducted by Fabio Luisi and staged by Fred Berndt. Repertory aiso includes Der Freischütz and Roland Petit's ballet Dix (200 4762/ 2035 4494) Komische Oper Harry Kupler's new production of Berthold Goldschmidt's 1932 tragi-comic opera Der gewaltige Hahnrei can be

seen on Fri and Oct 14. Repertory also includes The Bartered Bride, Cost fan tutte, Cav and Pag, La Cenerentola and Die Zauberflöte (299 2555)

CONCERTS

Schauspielhaus Today at 3.30pm: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony. Tomorrow: Peter Schreier song recital. Wed: Horia Andreescu conducts Bucharest Radio Symphony Orchestra in works by Enescu, Tchaikovsky and Dvorak, with piano soloist Christian Bedi. Wed (Kammermusiksaal): Nancy Argenta song recital. Fri and Sat: Olaf Bår (2090 2156) Philhermonie Tomorrow: Anne Sophie Mutter. Wed: Jessye Norman. Thurs: Alfred Brendel. Sat: Georg Fritsch conducts Berlin Radio Symphony Orchestra in works by Dvorak, Prokofiev and Ravel. Sun: Berlin Baroque Orchestra presents Monteverdi's L'incoronazione di Poppea. The Berlin Philharmonic Orchestra is on tour in Japan. Its next Berlin concerts are Oct 21, 22 and 23 (2548 8132)

■ NEW YORK

THEATRE Uncommon Women And Others: a revival of Wendy Wasserstein's play about friends at a small New England women's college, who meet for tea and then for a reunion six years later. A Second Stage Theatre production directed by Carole Rothman, in previews, opening Oct 26 (Lucille Lortel, 121 Christopher

St. 239 62001 Three Tall Women: a moving. poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droil and delightful Marian Seldes represent three generations of women sorting out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)

 Angels in America: Tony Kushner's epic conjures a vision of America at the edge of disaster. Part one. Millenium Approaches, and part two, Perestroika, are played on eparate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)

 Philadelphia, Here I Comel; Roundabout Theatre Company's revival of Brian Friel's 1964 Irish drama, with Milo O'Shea, Robert Sean Leonard, Jim True and Pauline Flanagan, Directed by Joe Dowling. Ends Oct 23 (Roundabout. Broadway at 45th St, 869 8400)

 An Inspector Calls: J.B. Priestley's 1947 mystery thriller in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200) Guys and Dolls: a top-notch

revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200) Carousel: Nicholas Hytner's National Theatre production from

London launches the 1945 Rodgers

and Hammerstein musical towards the 21st century Vivian Beaumont. 150 West 65th St, 239 6200) Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince

(Broadhurst, 235 West 44th St, 239

Crazy for You: Gershwin's tunes and Susan Stroman's choreography are the central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200)

Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carole King (Music Box, 239 West 45th St, 239 6200)

 Stomp; a loud, energetic and wordless movement-theatre show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 6th and 7th Streets, 307 4100)

Metropolitan Opera Highlights are Idomeneo tomorrow and Fri starring Placido Domingo, and Tosca on Wed and Sat with Carol Vaness, Luciano Pavarotti and Sherrill Milnes: This month's reportory also includes Rigoletto, La boherne, Arabella and Le nozze di Figaro. The first new production of the season is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000) State Theater New York City Opera's autumn season runs till Nov 20. This week's performances are daily except tonight and Wed, and feature Borodin's Prince Igor, II barbiere di Siviglia, Carmen, Mefistofele, Tosca and Delibes' Lakmé. Prince Igor is a new production conducted by Guido Ajmone-Marsan and choreographed Damian Woetzel of New York

City Ballet (870 5570)

Avery Fisher Hall Kurt Masur conducts this week's New York Philharmonic concerts, Tomorrow: Dvorak overtures and Prokoflev's Fifth Symphony. Thurs, Fri, Sat: works by Minoru Miki and Rimsky-Korsakov (875 5030)

PARIS CONCERTS

Théâtre des Champs-Elysées Franz Welser-Möst conducts the London Philharmonic tomorrow in works by George Benjamin and Beethoven, with violin soloist Gil Shaham. Anne Sophle Mutter gives a violin recital on Wed. Bruno-Leonard Gelber plays Beethoven piano sonatas on Sun morning (4952 5050) Salie Pieyel Semyon Bychkov conducts Orchestre de Paris in Mahler's Fifth Symphony on Wed and Thurs, Jacques Mercier conducts Orchestre National d'ile de France on Sat in works by Debussy, Boulez and Dutilleux (4563 0796)

Bastille Bob Wilson's version of Madama Butterfly can be seen tomorrow, Thurs and Sun afternoon, with Miriam Gauci in the title role (continues till Oct 22). Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, can be seen on Wed and Fri (till Oct 14), with cast headed by Vladimir Chemov, Kallen Esperian and Roberto Scandiuzzi (4473 1300)

Chatelet The new Ring production continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and

Nov 13 (4028 2840)

DANCE The Paris Opéra Ballet's 1994-5

season opens at the Bastille on Oct 25 with Grand Défilé followed by Balanchine's Le Palais de cristal to Bizet, The Four Temperaments to Hindemith, and Jerome Robbins' Glass Pieces to Philip Glass (12 performances till Nov 17). The ason also includes a young dancers programme, Nureyev's production of Swan Lake, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme (4742

JAZZ/CABARET American blues singer/guitarist David Dee is in residence this week and next at Lionel Hampton Jazz Club, Music daily from 10.30pm to 02.00am (Hotel Meridlen Paris Etoile. 81 Boulevard Gouvion St Cyr, tel 4068 3042). Joshua Redman Quartet plays next Mon at Théâtre de la Ville (4274 2277)

FESTIVAL D'AUTOMNE Highlights include Peter Stein's Moscow staging of the Orestela (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's Seven Streams of the River Ota (Nov 18-26), and The Merchant of Venice directed by Peter Seliars (Dec 6-17). The dance programme is headed by Trisha Brown Dance Company (Nov 3-12), and there is a special focus on the music of Gyorgy Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288)

ARTS GUIDE

Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens,

London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT

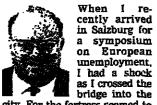
Reports 1230

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

Samuel Brittan

Salzburg sound of economic music



a symposium on European unemployment I had a shock as I crossed the city. For the fortress seemed to have gone psychedelic in a variety of brilliant colours. There was the old grey, an area repainted in brilliant white, which was supposedly the original colour, and an intermediate area covered by builders' green netting.

Yet this variety of colour in some ways symbolised our work. For thanks to the initiative of Professor Herbert Giersch of Kiel, a founding member of the German Council of Economic Advisers, 10 economists from a wide range of the political spectrum managed to agree on a common manifesto. They included Richard Cooper, a former Carter appointee, Patrick Minford, who was close to Margaret Thatcher, and Wolfgang Rieke, recently of the Bundesbank.

The Salzburg manifesto pinpointed three "proximate roots of high unemployment": pay and associated labour costs which price workers out of jobs; intermittent periods of low demand growth; and capacity shortages which emerge in many countries in the recovery phases while unemployment is still high.

Unlike some market economists, the Salzburg authors admitted that forces such as globalisation and technical change had an adverse effect on unskilled workers, which showed itself in unemployment in Europe but in low pay in the US. Nevertheless we rejected any kind of protection to keep out imports from poorer countries, and wanted to tackle the problem of low pay by persuading other citizens to "use the tax and transfer system to top up low incomes by direct pay-

These principles are the key. For the practical application must vary from country to country and would require many pages of institutional detail. To the extent that



unemployment is a structural problem, it cannot be tackled a single brushstroke measure such as leaving or joining an exchange rate arrangement In the end we agreed on nine

 There has to be an appropriate macro-economic back-ground Inflationary dashes for growth should be strictly avoided. But once inflation is at low levels, monetary authorities have as much responsibility for avoiding nominal demand deficiency as inflationary excess." There was a specific recommendation that "the European Monetary Institute should monitor the development of nominal gross domestic product at an EU level".

Labour markets have to respond more quickly to market changes. I cannot claim that we solved the problem of why pay and associated costs are so often above market levels. But the manifesto urged that settlements reached by collective bargaining should not rise in real terms in the years to come so that productivity growth could be translated into an expansion of employment.

"Equal pay for equal work" stands in the way of full employment. This was not an anti-feminist rearguard action, but a reference to the need to take on new workers at less than existing pay rates, to try to combine pricing into jobs with the realities of insider power of those already at

elephone calls in the UK are becoming as competitive as soap powders – and the difference between rival "brands" is about as great.

Last week saw the launch of

two long-distance telecommu-nications networks. Energis and NTL join Mercury and BT in Europe's most competitive long-distance phone market. But competition is also open

ing up for the first time the local telephone market as across Britain cable companies dig up the streets, laying combined cable television and telephone networks.

The market incomes of unskilled workers in the west

those in developing countries.

But there would be levelling up as well as down. Moreover

as real income in advanced countries would benefit from

the extra trade, there would be

a surplus to channel towards

those most hard hit by eco-

There is a need to invest in

human capital to reduce pres-ent disparities in earning

power. The Salzburg writers

gave the theme a new twist by rejecting "credentialism" -

that is multiplying the paper

qualifications - and urging

dit vouchers for trainees.

Physical investment is needed too – but not general-

ised fiscal subsidies, which too

often encouraged capital-inten-

sive projects. The best contribution governments could

make was to reduce their own

In a carefully negotiated aside we noticed "that a Japa-

nese current account surplus -

provided it is not achieved at

the expense of a depressed

economy - is a contribution to

world savings". This was not a digression but recognised the

inter-relationship of world cap-

ital markets and world real

• Top-up payments for low-in-come households are prefera-

ble to other devices such as

minimum wage legislation or

high benefits. But to carry the

more hardline German partici-

pants we had to underline in

several different wavs that

these top-up payments would

• There should be no link

between the dole and previous

earnings if the benefit is

• There is a risk that the

social chapter of the Maas-

tricht treaty will limit employ-

ment "and should be watched

carefully". Agreeing this point

was some achievement among

10 signatories, only two of

whom were British and half of

whom were based in Germany.

be subject to means tests.

financed from taxation.

interest rates.

structural budget deficits.

nomic change.

What does this rapid rise of cable telephony mean for the consumer? And does it spell serious trouble for the future of British Telecommunications, which until a decade ago had a complete monopoly over the UK's phone service?

BT proclaims the cable companies to be its most serious long-term threat. Mr Michael Hepher, BT managing director. says: "Whereas with Mercury we lose the long-distance revenue but keep the line connection, with the cable companies we lose not only the revenue but also the connection - and with it the opportunity to sell and market all our services."

His fears have foundation. The cable companies now boast more than 500,000 telephone customers, double the number a year ago. Although the cable operators are generally called "cable TV companies", this is a misnomer since telephony is almost as important to them as television.

They are marketing the two services hand-in-hand, and revenue from both is critical to the economics of laying a second cable into the home. Of the three largest cable operators in the UK. Nynex is a regional phone operator in the US, while the other two. Telewest and Bell Cablemedia, are joint ventures between telecommunications and cable companies.

Analysts predict that by 2000

the cable companies will have installed nearly 5m phone lines against BT's current total of 26m. Some cable operators already have more telephone than TV subscribers. Nynex, the second largest operator, claims that 25 per cent of the homes within its Portsmouth network area now take cable telephone, against 22 per cent taking cable TV. A year ago, 58 per cent of new customers were taking both products; now it is up to 70 per cent.

Many heartaches could be The social make-up of cable saved if a German government had the courage to take the customers is changing too. In same attitude in European the early days, when cable was political discussions. clearly TV-led, it had strongest

Contest for your conversation

Cable companies and BT are in fierce competition in the UK telephone market, says Andrew Adonis

appeal in areas of low-income housing, where the extra TV channels were especially popular. Telephony is broadening cable's appeal. "At the prosperous end of the demographic continuum we are now selling well above average," says Mr Peter Lynch, director of residential marketing at Nynex. Sales are below average among older residents, "but it is more a concern about change, not a clear socio-economic divide" he be<u>li</u>eves.

In response, BT has set up "cable defence" teams to target urban areas where cable companies are building their networks. It has also launched a high-profile campaign to persuade the government to lift the ban preventing it from carrying broadcast television across its network into homes. BT executives are additionally concerned that, as price competition with cable companies intensifies, BT will not be able to vary its prices regionally as the cable companies do. BT is required by its licence to charge the same for a local call in Portsmouth as in the large

Yet BT probably protests too Take prices. Cable compa-

London calling zone.

nies invariably claim to be cheaper than BT. In reality, however, they are often more expensive. Many customers are seduced by initial savings on line rentals, which are invariably cheaper with cable than BT, and by cable operators' claims that they are cheaper for a "typical" residential phone bill

Since the cable companies have different tariffs, it is impossible to generalise. The chart compares the weekday residential tariffs of Videotron, a cable operator covering much of London and Hamp shire, with those of BT and Mercury.

Videotron is more expensive than BT for many national calls made during the day. Mercury - accessed through a BT line - is far cheaper than Videotron for all long-distance calls. Moreover, Videotron's cheap rate starts much later in



Weekday 3 minute call (pence)						
	Videotron	Mercury	81			
Local		····				
Daytime .	· 12.3	-	14.8			
Evening	- 4.9 (efter 7pm)*	<u> </u>	4.9			
Over 35 miles	·	-				
Daytime -	- 33.6	24.7	29.6			
Evening	18.0 (efter 7pm)	14.T (atter 6pm)	19.7 (after 8pm)			
London-Paris						
Daytime :	102.2	95.5	108.6			
Evenina	. 84.6 (after 8pm)	79.7 (atter 6cm)	88.8 (after 6pm)			

the evening than that of BT or Mercury - an hour later for local and national calls and two hours later for European calls. So Videotron customers may unwittingly find themselves paying more than twice

BT proclaims the cable companies to be its most serious long-term threat

the BT rate for a call unless they look at the detail behind the company's claim to be "at least 10 per cent cheaper" than BT for a "typical" bill. BT is being forced to slash

its prices by Oftel, the UK

industry regulator. In the pro-

cess it is putting greater pressure on its competitors as they seek to maintain price differentials. As the existing differential narrows, so does the incentive for customers to switch from one supplier to another. AT&T, the largest US opera-

tor, has made great play of the trifling savings to be made by switching to its competitors and its discount plans, available to most customers, are cleverly designed to boost loyalty. BT, which last year forged an alliance with AT&T's principal rival. MCI, is fast learning the tricks of the US pricing and marketing trade. The numbers of cable subscribers cited above also need to be put in perspective. BT still has 85 per cent of the UK's

telecoms market. It is cur-

rently adding new lines at a

faster rate than the cable companies: its net monthly growth is about 60,000 lines. against less than 40,000 for the cable companies. BT's mobile phone offshoot, Cellnet, has 1.2m subscribers - more than twice as many as all cable phone users put together.

Furthermore, the ban on BT carrying entertainment is unlikely to endure indefinitely. The House of Commons trade and industry select committee recently urged the government to set a firm date of 2002 for lifting the ban nationwide. The Cable Television Association accepts that the cable industry has little to gain from contin-

ued uncertainty and supports an eventual end to the ban. The challenge for the cable companies is to become more than "cheap BTs" in their role as telecoms suppliers. On the residential side, pay-per view and video-on-demand services across telecoms wires are being tested, with operators promising commercial services in the near future.

f the cable companies can provide interactive services giving customers access to Hollywood movies and home shopping soon, they will steal a march on BT. But dates are vague, and prices

have yet to be revealed.

At the outset, cable operators concentrated on the resi dential market, where joint marketing of TV and telephony appeared to have most to offer. However, they are now also taking the business sector seriously. London's operators have come together in a "London interconnect" consortium, offering data communications services. Videotron, which holds a telephony franchise in Westminster and the City, has launched a desktop television/ information service, upgrading personal computers with a card that gives users access, on their screens, to TV channels and information databases such as a new Reuters service. But the corporate sector is

the fiercest part of the telecoms market. It will be an uphill struggle to win a big share of business against the many new operators - most of them US-owned - building networks and offering services. That leaves the residential sector, where the cable compa-

nies are the only phone operators besides BT with their own fixed networks. For the domestic consumer, competition means greater downward pressure on prices and in time a wider range of services - some compensation for the bulldozers blocking the pavements.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

High-speed rail still an option in US

From Mr Joseph S. Silien. Sir, Richard Tomkins concluded in his article, "Fast trains are a long time coming" (August 29), that in the US "it is now accepted that the pri-vate sector alone will not build high-speed railways".

His conclusion is correct. However, his assertion that the problem facing US high-speed rail projects is that "most Americans never take trains" is off the mark. Where frequent, convenient, and com-fortable service is offered, Americans will ride trains in great numbers. This is evident Washington, New York to Albany, Chicago to Milwaukee, and Los Angeles to San Diego. But the service must be offered in order to attract passengers.

Over the past two decades the US preoccupation with high-speed rail has been focused on multi-hillion dollar dedicated right-of-way solutions based on the Japanese. French and German models. All of these projects, requiring huge investments, have failed. Neither the private nor the public sectors can or will raise

ating high-speed rail service on existing track has come to be recognised as an achievable solution. This "incremental approach" is based on the sucessful Swedish model, Tomkins is correct in saying this is not easily done. But combining service-proven tilt trains like X 2000 with the upgrading of existing track, new signalling to govern high-speed trains, improved crossing protection, even the addition of entirely new track to increase capacity - all are affordable when com-

on at least four popular the funds necessary for such pared with the cost in dollars Amtrak routes – New York to expensive undertakings. Oper and in time of building new railroads for high-speed trains. The Northeast Corridor linking Boston, New York, and

Washington will be the first US high-speed rail corridor developed using the "incremental approach". I believe that its inevitable success will be a model for other projects around the US. Joseph S. Silien. vice president, business development. ABB Traction Inc. 1818 Market Street

Suite 3750, Philadelphia, US

The market always wins

From Mr Stephen Butler. Sir, Samuel Brittan, in "Caliing the bond market bluff" (Economic Viewpoint, September 29), is either not saying anything or he is saying some

thing wrong.
In judging whether anticipated levels of inflation require monetary tightening, it is of course always tempting for any individual – not just central bankers - to imagine that he or she has stumbled upon an indicator which knows better than the market as a whole. No sensible person denies that this is possible

The real question is: which do you find, on average, to be more trustworthy - the com-bined judgment of thousands of such individuals, or that of one or a few who have got themselves installed by politi-cians in central banks? The Alan Greenspans of this

world, who might actually see something on the horizon that the rest of us miss, will unfortunately always be rare birds; and nothing good can come of flattering central bankers that they share such

Mr Brittan should not need to be reminded that, on average, the daily plebiscite of expert opinion that is a market will always beat any one guess at what will happen next.

The principal danger of central banking is not that one might begin to follow this opinion, "as if it were the word of God" - it is rather the risk of becoming too sure of one's own predictive abilities, and attempting to play that mighty role oneself. Stephen Butler, Jesus College,

Keep India plague in perspective

From Dr Shobhana Madhavan. Sir, I warmly congratulate you on the sensitivity and practicality of your editorial. "Don't panic" (September 28). Would-be travellers can feel reassured, and many Indians

will be glad to see the image of "pestilence-stricken multitudes" put for once in a proper perspective. Shobhana Madhayan,

28 Newburn Street, London SE11 5PJ

No pact in Mauritius

From Dr Navin Ramgoolam.
Sir, I was proud that Mauritius should emerge with such warm approval from the pages of your newspaper (Survey, September 27).
The achievements of the

Mauritian people since independence are such that the nation can be justly proud of them. It is generally the lot of a small country (as the recent experience of Haiti shows) only to come to international attention after natural disasters or political strife. But the success of Mauritius is underpinned by its people's belief in democracy and law. It is the patient achievement of countless thousands of Mauritians, often in spite of official discouragement. This success has not been created in 10 years and cannot be claimed exclusively by the present government or its prime minister.

dents remark, underlying this improvement is a serious and growing concern. For although the Mauritian people have not lost faith in democracy, it is widely believed - from numer-ous instances - that the government of Mauritius has. At the last election in 1991, I called publicly for interna-

Moreover, as your correspon-

believed then that electoral malpractices were bound to occur. The prime minister refused this request. I and others have renewed that call because the dangers we per-ceived have not diminished. The prime minister has recently announced, after strong pressure, some changes in the electoral procedure which would help to safeguard its integrity. We do not believe that is enough. Public confidence in the transparency of elections must be fully preserved if improvements which your correspondents found on their recent visit are to be maintained.

Finally, may I take this opportunity of stating that. contrary to what your survey states, no pact between me and the prime minister, whereby the prime minister would remain in office for several years, has been agreed, nor would any such agreement be acceptable to me, the party I lead, or the vast majority of the Mauritian people. Navin Ramgoolam, leader of the opposition, 85 Sir S Ramgoolam St.

Capital gains proposal would encourage retention of shares to encourage senior executives

From Mr H M F Simpson.
Sir, The Confederation of British Industry's proposal for the coming Budget that long-term shareholdings should be free of capital gains tax is welcome ("CBI calls for £1bn support in Budget", September 28). One effect would be

who receive shares through executive options or other incentives to hold on to them. The CBI, in its May 1994 paper on long-term remuneration for senior executives, wishes directors to be "encour-

ings, but there is no effective way in which this can be done. Companies cannot force executives to retain their shares if they have been obtained through a tax approved option scheme as the Inland Revenue regards this restriction as conaged" to retain their shareholdtrary to the Taxes Act.

But a long-term CGT-free opportunity of say, 10 years. would be exactly what is required to promote share retention by executives. H M F Simpson, Buck Consultants, 11 York Place, Leeds LSI 2DS



FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday October 3 1994

Back from the brink

Judged by what might have happened, this weekend's US-Japanese trade agreement marks a victory for common sense. The two sides have averted the immediate danger of a trade war which would have seriously damaged the global economy and sent shockwaves through financial markets. They have also refrained from resorting explicitly to managed trade, which would oblige Japan's government to deliver a fixed share of its national market to US exporters, at the expense of other trading partners. Instead, there is at least a possibility that the agreement may pave the way for beneficial Japanese liberalisation on a multilateral basis. However, the deal marks a

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truce, not an armistice, in the hostilities which have embittered US-Japanese relations and bedevilled the world trade system for almost a decade. The risk of a renewed flare-up remains, most obviously over cars and car parts, where no agreement has been reached. Here, the US continues to brandish the threat of eventual trade sanctions, albeit in the form of its Section 301 legislation, rather than of the more draconian Super 301 mechanism. Much more remains to be done by the US and Japan if a durable return to stability in the world trade system is to be

The most encouraging augury - and the breakthrough which unlocked agreement at the weekend - is the US decision to abandon its insistence on quantified measures of foreign penetration of Japanese markets. Tokyo had rejected these demands from the outset, on the grounds that they amounted to numerical import targets. Though Washington denied this, it failed to dispel suspicions that it was seeking to coerce the Japanese government into cartelising its market for the benefit of US exporters.

Competitive access

Instead, the negotiators have agreed on a combination of actions by Tokyo to enhance comnetitive access by increasing marequipment and insurance. The agreement also envisages that the henefits of such liberalisation should be available to all foreign

competitors, not just US produc-

As well as honouring its commitment to greater openness. Tokyo needs firmly to entrench the principle of multilateralism. Failure to do so would invite accusations of favouritism from other trading powers - notably the EU and pressures to reach bilateral deals with them which would fragment the global trade system. The most effective solution is for Japan to table this weekend's concessions in the Gatt. Japan should also demand that the US seek to resolve any future bilateral trade differences through negotiation in the World Trade Organisation -or, if necessary, through the strengthened dispute settlement procedures planned for the body.

Uruguay ratification

The priority for the US should be to facilitate that course by swiftly ratifying the Uruguay Round world trade agreement.
The deal with Japan should help that process in two ways. First, it removes a distraction which has absorbed far too much of the Clinton administration's political energy; second, to the extent that it redeems the administration's reputation for inept and irresolute handling of international economic policy, it should strengthen its hand in dealing with an increasingly recalcitrant Con-

Nonetheless, the hurdles to ratification remain daunting. Even if the administration can overcome the recent delaying tactics of Senator Ernest Hollings, the chairman of the Senate commerce committee, Congress seems unlikely to vote on the Uruguay Round until after the November elections. There is a risk that virulent partisanship could then induce many Republicans to vote against the round simply to frustrate the

administration's agenda.
President Bill Clinton has compounded his difficulties by not selling the round aggressively enough to Congress and the Amer ican people. He needs to build swiftly on this weekend's agreeket transparency and relaxing reg-ulatory restrictions, notably in is at stake. No US congressman telecommunications, medical should be left in doubt about the size of the gains which the Uru-guay accord offers the US econ-omy - or of the costs if it were allowed to fail.

A private nuclear future

The review of the nuclear power industry which the UK government has been conducting over the past four months has thrown up many complex and emotional issues. But they can all be boiled down to two basic questions. Does the UK need to build any more nuclear power stations? Should the nuclear power generation industry be privatised? Of these, the second is much the more important.

From the nuclear industry's point of view, this is a good moment to address both questions. The two state-owned companies, Nuclear Electric and Scottish Nuclear have made impressive progress towards overcoming the profligacy and misjudgments of the past. They now account for a quarter of the electricity consumed in Britain, and they can produce it at a price which is beginning to approach open mar-ket levels. The near-completion of Sizewell B also suggests that the industry's technical abilities are alive and well.

At a time when the government is committed to reducing atmospheric pollution, nuclear can also put up a legitimate environmental case that it is "cleaner" than fossil fuel plants. On the other hand, Britain has a

growing surplus of power genera-tion capacity, and though the nuclear component of that will shrink as first generation Magnox reactors are phased out, there should be no automatic presumption that they will be replaced with further nuclear plant.

Decommissioning cost

Another complication is the radioactive waste from nuclear power stations, and the cost of decommissioning them when they reach the end of their lives. Neither of the two state-owned companies is fully provisioned for these costs: their liabilities are being covered partly by subsidies from the electricity market, partly by the taxpayer. Although there is a prospect that the newer power stations will be able to provision themselves, this may never be the case with the old Magnox stations whose economics are so doubtful that they will have to remain in government hands whatever happens to the rest of the business. On the face of it, the case for

privatisation is thus not strong. In its present shape, the industry is not capable of operating commer-cially because of its huge inherited liabilities and operating costs. The financial markets remain deeply sceptical about the risks of nuclear power.

But all this should not deter the government from exploring ways of reshaping the industry into a form that could become fully commercial. The managements of both state-owned companies are keen to be privatised, and have put forward detailed cases in support of their ambitions.

Investor credibility

The main aim of the review should be to identify those parts of the generation companies which are capable of standing on their own feet and creating out of them own feet and creating out of them businesses that would have credi-bility with investors. This would include the more efficient AGR stations and Sizewell B. And it is through the privatisation of the business rather than by government diktat that the future of

nuclear power must be decided. Making privatisation work will depend on resolving two problems that affect the commercial viability of nuclear power. First, failure to align prices with wider social costs and benefits can lead to distorted outcomes. Thus if nuclear plant is required to bear the full environmental costs including those of decommissioning and spent fuel storage, the same must apply to other forms of electricity generation. Otherwise competition

would not be equal.

Second, nuclear power faces unique political risks against which no private operator could hope to insure itself. This problem needs to be addressed by government if a privatised industry is to invest in efficient new generating capacity. Provided these problems are solved, privatisation would be appropriate and should be workable. The management of these companies would be best placed to decide whether further development of nuclear power was viable.

The truth is that there is no special case for nuclear power, any more than there was for coal. But if the managers of the industry want to go private, and investors are prepared to back them, they should be given the chance.

🕇 he European Commission has moved beef and grain mountains, but further reform of the Policy is an altogether more painful

This did not stop the Commission last week publishing a report by an independent panel of experts calling for such reforms. The Commission distanced itself, officially, from the report's conclusions - produced by experts from Belgium, Denmark, France, Germany, Greece, Sweden and the UK - and watched as a wave of protests by farmers confirmed their resistance to further CAP reform.

But it is clear that the report will be used by factions within the Commission to stimulate debate on an overhaul.

The farming industry is still trying to absorb the shock of sweeping reforms brokered by Mr Ray Mac-Sharry, former agriculture commissioner, two years ago. But many farmers privately acknowledge that further reforms are inevitable if the European Union is to meet its commitments under the General Agreement on Tariffs and Trade and its ambitions to enlarge eastwards.

The enormous burden of the CAP on the European consumer and tax-payer is also a powerful argument for reform. According to the Organisation for Economic Co-operation and Development, the CAP cost each person in the EU \$385 last year. This cost represents an average subsidy of \$15,400 for each full-time agricultural worker, or \$980 per hectare of farmland.

The extent of these subsidies has become transparent as part of the MacSharry reforms under which farmers are paid direct compensa tion for the price cuts and the idle land they have to endure. There is nothing unusual about this scale of support. Indeed, with the exception of New Zealand and Australia, all OECD countries subsidise their agriculture heavily.

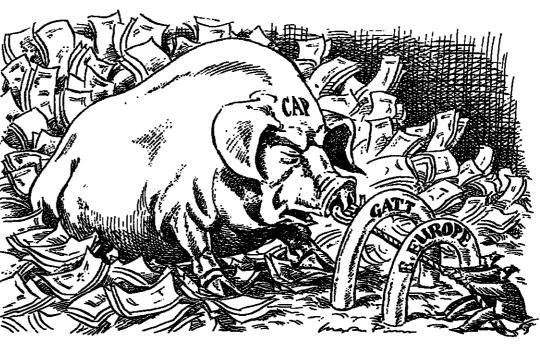
But world farming markets are about to change, with the scheduled entry into force of the Uruguay Round world trade agreement early next year. Many farm experts, including the UK's National Farmers' Union, are unconvinced by the Commission's assurances that the 1992 reforms will be enough to meet the required cut in the volume of subsidised EU exports under the Gatt deal.

Indeed, debate over the future of the CAP was sparked in the UK six months ago by an NFU study presenting members with stark choices over the future of farm policy.

The sceptics argue that reductions in price support - together with "set-aside", under which 15 per cent of arable land is taken out of cultivation - will be insufficient to offset annual increases in output of

Trouble down on the farm

As the EU expands eastwards, Alison Maitland and Deborah Hargreaves examine the need to reform the CAP



cereals per hectare. They expect beef production, too, to exceed the Gatt limits for subsidised exports by the end of the decade. Such constraints, the NFU argues, will present farmers with a tough choice before 2000: either production controls will have to be strengthened. or price support through intervention, the cardinal component of the

CAP, will have to be abandoned. But the freeing of trade, which will expose EU farmers to greater competition, is not the only threat to the cosy world of the CAP. While Austria, Finland, Norway and Sweden's accession to the EU next year should be broadly neutral financially, the eventual absorption of prospective members from central and east Europe poses an enormous challenge. Eventually their farming industries could be fiercely competitive, but they are currently in severe decline because of the loss of traditional markets in the former Soviet Union and the collapse of

state distribution systems. The EU is committed to bringing these nations into the fold. In Germany, the most fervent advocate of

growing political recognition that to the environment, such as using this expansion would involve a reexamination of the CAP.

Agriculture officials in Brussels are drawing up plans this autumn to help get east Europe's farm sector back onto its feet. They have a tough task, given the conflict between the EU's desire to prevent political unrest in the east and its concern to protect its own farmers.

Yet extending the CAP to east Europe would be beyond the resources of the EU. An overstretched CAP budget was one of the driving forces behind the Mac-Sharry reforms. It could re-emerge as a pressure point in its own right, long before the accession of the first central European countries. Com-mission officials say inflationary pressures are building up which could break the spending ceiling next year. This could bring renewed calls for a renationalisation of the farm budget as suggested in last week's CAP report. But such pres-sure will be resisted by many governments and farm groups.

Tied into the budget debate are growing public demands in northenlargement to the east, there is ern Europe for farming to be kinder

fewer chemical inputs. Environmental measures were built into the 1992 reforms for the first time. But this has only encouraged lobbyists to push for all payments to farmers to be tied to their adopting "green"

Together these forces add up to a compelling case for overhauling the CAP. Yet among the Commission's agriculture officials there is a stri-king public reticence to debate the issue. Mr Rene' Steichen, the outgoing agriculture commissioner who has presided over implementation of the MacSharry reforms, says it would be wrong to create fresh uncertainty in the farming community when the reforms are working so well. He cites falling production - this year's EU harvest is forecast at 160m tonnes compared with 185m tonnes in 1991 - and drops of 52 per cent and 77 per cent repectively in the grain and beef mountains over

the past year. Mr Steichen would like to see cuts in the high level of compensation paid to the best-off farmers for setting land aside. This compensation

sion in 1992 only under pressure from the farm lobbies. He is also working on changes to sectors left untouched in 1992, such as wine. But provided these reforms prove effective, he says, "I don't think there's a need to change the CAP."

Mr Steichen's view is not shared by all of his Commission colleagues as last week's CAP report shows. The report was ordered by officials in the Commission's economics and financial affairs directorate as a way of encouraging discussion on

However, many EU members are also hesitant about broaching farm reform. Any suggestion that the 1992 reforms might be insufficient to meet the Gatt commitments could risk a trade dispute with the US in the run-up to ratification of the Uruguay Round accords.

Moreover, agreement to the agri-cultural part of the Gatt deal was wrung from France in exchange for a commitment by the Commission not to increase the level of set-aside without full compensation. The French say the exclusion of small EU farmers from set-aside has left their big grain producers bearing 40 per cent of the total burden of set-

The lack of political will for further reform may also be linked partly to the forthcoming elections in Germany and France.

iven these conflicts, it will be difficult to make even mild changes to the CAP, such as deeper cuts in support prices, without extra com-pensation for farmers that would overstretch the budget.

Tacitly, the need for a new approach to the CAP in the light of the east Europe issue is acknowledged at the Commission. The issue is likely to be back on the agenda in 1996 when the enlargement debate will be more pressing. But ideas for far-reaching reform, such as paying farmers a one-off lump sum in exchange for abolishing all support. appear to be out of line with Brussels' thinking. UK officials, serving a govern-

ment that says it would ultimately like the 37-year-old CAP abolished argue that the policy's staying power cannot be underestimated. "It has never collapsed under the weight of its contradictions," said

Indeed, the MacSharry reforms have arguably given it a longer lease of life by making it easier to adjust price support, set-aside levels and compensation while leaving the system's foundations intact. Mr MacSharry is convinced the CAP will still be in place in 2010. "I see a fine-tuning but no revolutionary change," he said. "There's no doubt that while there will be a European Union there will be a CAP."



Woods institutions were organised 50 years ago, their task of helping rebuild a ravaged Europe and PERSONAL bringing order to the global economic VIEW system was clear.

When the Bretton

Though probably the tallest order of its kind in modern times, they did the job and did it well

Today, the World Bank and the International Monetary Fund face different challenges. Fifty years ago we were dealing with less than a quarter of the world's economy. Today, the developing world and transition economies account for nearly half of global output. Today the challenge is develop-

ment and transition, to spread prosperity. The price of failure is just as high, perhaps higher. But the benefits of success have never been

Both the IMF and World Bank need to look anew at how they can contribute. For the IMF, it is a matter of maximising the economic reform it can support. The Bank must focus on bringing more people into the development process - as participants in planning and as beneficiaries of progress.

The IMF is achieving real results

bundled out the party poopers chanting "50 years is too much".

encouraged Preston to take a swipe

at one of his old banking pals, Paul

Volcker, the former Federal Reserve

board chairman. Maybe it has

something to do with his great

height, but Volcker has always

appeared above criticism in the

monetary affairs. However, Preston

couldn't resist a dig when asked to

comment on some of Volcker's past

proposals for reorganising the World bank, "Volcker is an old

Bank's 68-year-old president.

friend and like everybody else he

Britain's chancellor Kenneth

hearing Volcker express a clear

preference for greater order in

world foreign exchange markets,

Clarke was not much kinder. After

gets stuck in time," said the World

arcane world of international

Perhaps this near miss

Challenge of change

transition economies reform and developing, transition, and industri-rebuild. The carrot of financial sup-alised economies. The Group of supplanting the strongest available port has a tremendous impact. But Seven finance ministers are com-

comprehensive reforms needed for full transition. Increasing access to IMF resources for countries committed to strong reform measures - in eastern Europe, the former Soviet Union and around the developing world - can increase the incentive to take the difficult steps toward productive market-based economies. Extending the Structural Transformation Facility is also critical to reinforcing this process.

To make their participation in the world economy and monetary system complete, all member countries should have the rights and benefits of membership of the IMF. The US has proposed bringing equity to the allocation of Special Drawing Rights. Completing this issue, along with enhancement of support for reform, will be central both to our meetings in Madrid and to the future of the IMF.

The IMF is achieving real results

Stability in the world economy is cation, particularly for women. It in helping Russia and the other important to the prospects for the must begin to utilise the private

there is still much to be achieved.
We have asked the IMF to go one mitted to strengthening their policy co-ordination efforts. There is a crustep further to support the kind of ' cial role for the IMF in this process. Nevertheless it is our view that a flexible process of co-operation, not fixed exchange rates or target zones, is the best way forward.

Just as we have learned that austerity is no substitute for careful adjustment, we also know that broad policy changes are not enough for sustained and sustainable development and growth. At the heart of economic activity and productivity are more basic questions. Are workers educated? Are they healthy? Is the population growing too fast for the economy to ever catch up?

There are no easy answers. But with 1bn people in the world existing on less than a dollar a day, we must start somewhere. This is the World Bank's challenge.

The Bank should start by putting people first, with more attention to health, population control and eduforce for development. And it must support bottom-up development. Micro-enterprises, for instance, can be a remarkable tool for driving The Bank is turning in this direc-

tion. More information about Bank loans and operations is available to the public. More concern has been focused on the resettlement implications of large projects, Loan quality is being addressed by strengthening oversight and concentrating on coherent approaches to development in each country. These changes must be deepened and become part of the Bank culture.
In addition, the changes being

implemented at the Bank must be adopted by the regional development banks. The upcoming 11th replenishment of the International Development Association offers the opportunity

to strengthen the development impact of the new direction in Bank practices.
Our national security institutions

are changing to face the new challenges. But our economic institu-



Bentsen: flexible co-operation

tions are only just beginning and must now commit themselves to making these new approaches a way of life.

Lloyd Bentsen

The author is US Secretary of the

OBSERVER Clarke concluded that he "was

Turning up struck how much times had moved the heat on". Sic transit gloria. ■ This year's meetings of the Yesterday's man International Monetary Fund and If alarm bells are not ringing in Britain's diplomatic service then World Bank in Madrid are attracting a less courtly breed of demonstrator than past annual they should be. Has anybody noticed that Sinn Fein leader Gerry Adams, who will be in New York tomorrow to fall out with Ulster Lewis Preston, the World Bank President, narrowly missed having a custard pie - cunningly disguised Unionist MP Ken Maginnis on the as a birthday cake to mark the Larry King Live chat show, is going to be just a cab ride away from South Africa's President Mandela? Bank's 50th anniversary – pushed in his face at a weekend press conference. Security staff intercepted the missile and quickly Mandela is on his first state visit

hands with all sorts of business folk. What better way for Adams to project his public image as Ireland's answer to Nelson Mandela than to arrange a meeting with the great man himself. Much better than trying to get President Bill Clinton to invite him to the White House.

to the US and is busy shaking

Female pitch

■ One unfortunate casualty of the ongoing debate about the quota of women MPs in the Labour party was yesterday's traditional pre-conference football match between the Labour party and Fleet Street. The match degenerated into a farce because Labour insisted on fielding three female MPs led by Kate Hoey, a former PE teacher. The only time Labour looked like

scoring was when Hoey was



street patrol'

awarded a rather dubious penalty. Her first attempt went over the bar and she was given a second go because the goalkeeper - the FT's David Goodhart who boasts a clean sheet for the Hampstead Heathens this season - had moved off the line. Her second effort dribbled in and Goodhart was given a special award for football chivalry....

Executive panic ■ What is upper-most in the minds

'executive share options".

of only pretending to be on

of the captains of industry who have made the long trip north to Labour's Blackpool conference?

National Power gave the game away when it invited one of shadow chancellor Gordon Brown's staff to its conference party. In a corner of the card offering drinks and light refreshments at The Imperial, a National Power employee had noted the reason for the invitation. Scrawled in pencil was the phrase

Meanwhile, Labour's success in sucking more money out of the corporate sector has not pleased all the comrades. Dennis Skinner, the leftwing "beast of Bolsover" was incensed by the discovery that Marconi is sponsoring a reception for the party's national executive committee tonight. He has made it quite clear that he and Tony Benn. the other pillar of the left wing, are not going to be on parade at any booze-up sponsored by a company in the armaments business.

Body building

■ Welcome signs of movement at The Body Shop. Texan Gwen Gober, who professionalised Kingfisher's public relations, has been recruited to help the embattled cosmetics group rebuild its

environmentally-friendly public image. She is being brought in to help ease the strain on Gavin Grant, the former architect of the RSPCA's controversial dead dogs and ponies advertising campaign, who has not had much luck persuading Anita and Gordon Roddick to love journalists.

For starters, Gober must try to prevent the Roddicks from continually referring to City financiers as "pin-striped dinosaurs". Such descriptions may be well deserved, but as Gerald Ratner can testify some home truths are best left unsaid. Body Shop need not go the same way as

Date rape

■ Will Ken Livingstone, the maverick Labour MP who chairs the Anti-Racist Alliance, and John Prescott, the deputy leader of the Labour party, repeat after me. "Thirty days have September, April June and November....". Issuing press releases dated 31 September does not encourage much confidence in the accuracy of the rest of the contents.

Waste recycling ■ Browning-Ferris Industries, the

US waste services company, makes much of its aversion to waste. Waste of money and resources, that is. Chairman Bill Ruckleshaus boasts that pictures and pages have been eliminated from his company's annual report to save costs. His words have been taken so seriously that BFT has eliminated pages 17-33 of the report and instead reprinted Ruckleshaus's comments from pages 1-16 in full. Well, if it's worth

saving once...



FINANCIAL TIMES

Monday October 3 1994



Stock Exchange team opens 116 cases this year | Chrysler

Sharp rise in London insider dealing probes

There has been a sharp increase in possible insider trading cases detected by the London Stock Exchange, according to a Financial Times analysis based on unpublished official figures.

The exchange's surveillance group, whose role is to scrutinise every share deal for signs of criminal activity, has opened 116 cases for investigation so far this year, including more than 75 into alleged insider trading. That represents an effective rise of around 50 per cent over the previ-

Mr Michael Lawrence, the exchange's chief executive, wants to make the market safer for investors who do not have inside information. A series of measures is under consideration to ensure that anyone buying and selling shares through a London securi-ties house will not be severely disadvantaged if he or she has access only to published informa-

"We do not want to have the image of London as a place where you can do insider trading

primarily at pre-empting insider trading by making better use of the new computerised Integrated Monitoring and Surveillance Sys-tem, which the exchange uses to detect unusual share price movements or anomalous transac-

In the past nine months, the exchange has referred 10 possible cases of insider trading - the making of illegal profits from trading in shares when in possession of confidential price-sensi-

Reports and analysis Page 8

tive information - to the Department of Trade and Industry. That compares with seven in the

According to officials, this reflects an increased detection rate rather than a rise in the incidence of the offence.

The DTI has the power to appoint inspectors to carry out formal insider dealing investigations under the Financial Services Act. after receiving case files from the exchange, and also decides whether to prosecute.

appointed inspectors in just five cases, including that of Lord Archer's order to purchase 50,000 Anglia Television shares, and there has been just one trial.

The disclosure of the improved performance of the surveillance group is likely to increase pres-sure on the government to reform the law to improve the chances of achieving successful prosecutions against suspected insider traders. The DTI and the exchange

have been widely criticised because, in the 14 years since insider trading became illegal in the UK, just 23 individuals have been found guilty of the offence. Part of the reason for the low prosecution record is widely pelieved to lie in the criminal, as opposed to civil, nature of the misdemeanour. The burden of proving beyond any reasonable doubt, as is required in a criminal case, that someone possesse inside information when dealing and then proving that the motive for the transaction was to profit from that information - and that there was no other motive - has

frequently been impossible.

Extremists' alliance likely to form goverment in Slovakia

By Vincent Boland in Bratislava

A commanding victory in weekend elections by Mr Vladimir Meciar, twice Slovakia's prime minister, has paved the way for an alliance among his populist movement. socialists and extreme nationalists to form the country's next government.

Mr Meciar's Movement for a Democratic Slovakia (HZDS) won 35 per cent of the vote and a potential 58 seats in Slovakia's 150-member parliament. That is more than three times as many as the party's nearest rival, the former communists of the Democratic Left (SDL). Voter turnout

Mr Mecjar, ousted as prime to form the next government in a coalition which could include the socialist Union of Slovak Workers (ZRS), which won 7 per cent of the vote, and the extreme nationalists of the Slovak

US-Japan

National party (SNS), which won 5.4 per cent.

The size of the HZDS victory took many observers by surprise. In the weeks before the general election on Friday and Saturday, opinion polls had given the party no more than 27-30 per cent of the vote. If HZDS forms a coalition with the ZRS and SNS, it will have up to 82 seats in parliament and a majority of six seats. As remarkable as the success of HZDS was the collapse in sup-port for the SDL, which slumped to 10 per cent from 15 per cent at the last election in June 1992, before Slovakia split from the

to office of the outgoing govern-ment of which the SDL was the dominant partner. The outgoing prime minister, Mr Jozef Moravcilk, whose Democratic Union party, a breakaway unit of the HZDS, garnered 8.5

Czech Republic. This has effec-

tively killed hopes of the return

that there was little likelihood of his government remaining in office. "It will be difficult for the current government to stay

Mr Meciar is in the strongest position of any party leader to become Slovakia's next prime minister. His campaign was dominated by threats to stop Mr Moravcik's privatisation programme, and by repeated attacks on Slovakia's ethnic Hungarian minority and on President Michal Kovac, who helped to force him from office in March.

Observers in Bratislava yesterday predicted the instability of Mr Meciar's previous governments is likely to return if he forms the next government. tion are expected to take several weeks, during which the parties in the outgoing government will also attempt to regroup.

Shift to extremes, Page 8

IMF split on reserves

FT WEATHER GUIDE

trade deal Continued from Page 1

opening measures welcomed the outcome of the talks. Mr Ralph Gerson, president of Guardian International, a glass maker, said: "We are very pleased after long and difficult negotiations that US negotiators have achieved agreement."

> Europe today A cold front associated with an active depression moving towards Finland will

produce continuous rain in the Benelux, Germany and France. In the wake of the front, a mass of cold and unstable air will be drawn

into the British Isles and the North Sea area. There will be a few sunny spells and shower some of them wintry. Snow showers will occur

along the Norwegian coast. Further inland, there will be sunny periods, but temperatur will remain unseasonably low. Most of Italy

and the southern Alps will have frequent rain

or thunder showers. Spain and Portugal will still be rather sunny and warm, but northern

will continue dry with plenty of sun and peratures between 25C-33C.

Five-day forecast

regions may have showers. South-east Europe

Continued from Page 1

designed to strengthen the reserves, and hence the import capability, of poor developing

Speaking after the G7 meeting, German officials made clear that they had dropped their opposition to an issue of SDRs because the UK-US scheme was a one-off

HIGH

package, designed to correct an inequity which would need 85 per cent approval of the Fund's members as well as ratification by

most countries' parliaments.

Mr Edmond Alphandery, the French finance minister, who had originally supported Mr Camdessus said he had accepted the UK-US plan as the only viable

to cut number of parts suppliers

By Kevin Done, Motor Industry Correspondent, in London

After coming close to financial collapse at the beginning of the 1990s, Chrysler, the smallest of the big three US carmakers, has emerged as the most profitable of them, with record profits of \$1.89bn in the first six months of

world's lowest-cost carmakers, partly as the result of reforms to the structure of its supply base. Most of the world's leading carmakers are sharply reducing the number of their suppliers in order to simplify and streamline their operations, but Chrysler has taken one of the most radical

First-tier suppliers are being

account for 90 per cent of its \$27bn total purchasing of parts, goods, services and equipment.

concentrate on the core activities overall vehicle de development, sheet metal

of \$750m in 1995.

Chrysler, the US carmaker, is planning a radical reduction in the number of its first-tier components suppliers to about 150 from 1,200 at present.

It is also expected in December to approve án increase in its expenditure programme to about \$22.5bu (£14.2bu) for the five years from 1995 to 1999. That compares with \$20bn planned for the period 1994-98.

this year.

It has become one of the approaches.

asked to shoulder much more of the research and development barden for new products, and in return are being rewarded with much longer-term contracts and, increasingly, single-source con-

Mr Tom Stallkamp, Chrysler vice-president for purchasing. said the company had already reduced the number of its firsttier suppliers from 3,000 five years ago. Chrysler's top 150 suppliers

It has cut the number of its tyre suppliers from seven to two, its paint suppliers from five to two and the number of its wiring suppliers from 14 to two. Mr Robert Eaton, Chrysler

chairman and chief executive, said the company intended to stamping and car assembly, and developing engines and transmissions and electronics. It had one of the lowest levels

of "vertical integration" among western carmakers, buying in almost 70 per cent of the cost of a vehicle from outside suppliers.

Mr Stallkamp said greater integration of leading outside suppliers into its operations since 1990-91 had led to suppliers' putting forward proposals for cost savings totalling \$921m. Savings totalling \$504m had been approved this year and the

company was targeting savings Chrysler's \$22.5bn spending programme is expected to lead to

a complete renewal of its product

THE LEX COLUMN

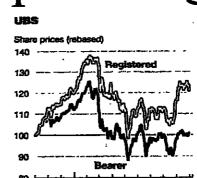
Disputed rights

Publication of the OFT-sponsored report by Mr Paul Marsh, of the Lon-don Business School, on underwriting commissions will set the cat among the City pigeons. The report concludes that the fixed 2 per cent commission paid to underwriters is unjustified. Certain institutions have been anxious to see the document suppressed, a sure indication that it should be published as soon as possible, together with the responses of merchant banks and other interested parties.

The mechanics of raising equity in the UK look inflexible when compared with practice in the US. There, corporations are not obliged to offer new shares to existing shareholders and can therefore gauge the level of poten tial demand before setting the price of new shares. Large amounts of cash can be raised by such book-building exercises in days, rather than the three weeks required for a UK issue. Fees in the US are higher than in the UK, but the new shares can be issued at negligible discounts to existing share prices. That compares with a 15 to 20 per cent discount in the UK, which reflects the inherent market risks. Arguably the cost of capital is higher as a result.

A change to the existing UK system would be difficult in the light of preemption rights. But these need not be sacrosanct, nor indeed should they be an issue if the shares can be offered at, or close to, the market price. Merchant banks should become more imaginative in finding ways of circumventing the discount, rather than seeking to smother the Marsh report. But traditional merchant banks, without the capital base or the distribution capacity of large integrated houses, have a great deal to lose if the existing system is changed.

At one level, Mr Martin Ebner, the maverick investor whose fund has built up a 19 per cent stake in UBS's registered capital, has certainly done the bank a favour. Many large Swiss companies have rightly unwound dis-criminatory shareholding structures in recent years on the grounds that they are inappropriate in a modern world of global investment flows. Banks thought this presented special legal difficulties, connected partly with restrictions on foreign ownership of property. Mr Ebner naturally has an interest in preserving the status quo but his attack has at least forced UBS to look again and discover that



Sep 93

no such problems stand in the way of a modern capital structure.

That said, it will require extraordinary unselfishness on the part of registered shareholders to vote away their privileges. The registered share price would inevitably fall steeply. By siding with Mr Ebner, shareholders might also increase the chances of him forcing management to pay closer attention to increasing return on shareholders' funds.

Yet although increased shareholder activism is welcome in the Swiss market, Mr Ebner is still taking things a little far. UK institutions rarely intervene directly and publicly with management unless things have gone manifestly wrong. Mr Ebner is behaving less like a concerned institution and more like a buccaneering conglomerateur who wants to seize control on the basis of minority stake. Retail investors in his fund will not thank him if, having used their money to buy expensively into UBS, he fails and has to sell out at a loss.

UK utilities

The UK water sector currently yields an average 5.8 per cent, a full 1.6 percentage points above the elec-tricity sector. That is because electricity stocks have had such a good run in recent months, outperforming the market by nearly 25 per cent since May. Some investment houses have used the difference in yield to justify recommending their investors to switch from electricity to water. Some shareholders even seem to have heeded their brokers' advice. At the end of last week, the water sector was up 1.7 per cent on the previous Friday's close. The electricity sector was down 3.4 per cent.

Such arguments only take into

account present yields, not future growth. On that basis, the outlook for the regional electricity companies is better than that for their water counterparts. With ungeared balance sheets, the Recs are looking for ways to hand back their excess cash. There could be further share buy-back schemes or even one-off bumper divi-dends. The proceeds from next year's National Grid sale could also be redistributed to shareholders. Shares could be marked up in preparation for the end, early next year, of the moratorium on mergers and acquisitions in

In the short term, as the Recs move into the closed period during which they cannot announce share buy-back schemes, their shares look set to underperform. In the long-term, the electricity groups look live-wires, the water stocks stagnant by comparison.

The Italian government has been so preoccupied with agreeing a budget that it has allowed its privatisation programme to flag. The coalition partners have squabbled over how and, indeed, whether groups such as Stet (telecoms), Enel (electricity) and Eni (oil and chemicals) should be sold off. The companies have jockeyed for position over which should go first. Mr Silvio Berlusconi, the prime minister, last week tried to inject some momentum into the process by announcing a new timetable: Stet and Enel would be sold by June 1995. He made no mention of Eni, though the government later said it had not been forgotten.

Italy clearly needs to get a move on. Not only do the overall budget projections depend on privatisation proceeds of L10,000bn in each of the next three years; IRI, the debt-laden state holding company which owns Stet, badly needs cash. But setting a timetable on its own is not enough. Previous dead-

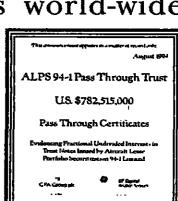
lines have slipped.

Before Stet and Enel can be sold, the coalition needs to agree on the companies' structures. In Stet's case, the central question is whether it should merge with its main subsidiary Telecom Italia. In Enel's case, the questions are whether competitors should be allowed into electricity generation and whether the distribution network should be split on regional lines. The new timetable provides a short breathing space in which such issues can be resolved. But it could too easily be wasted unless Mr Berlusconi moves smartly to knock heads together.

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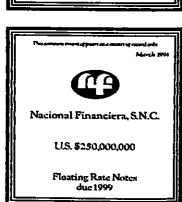












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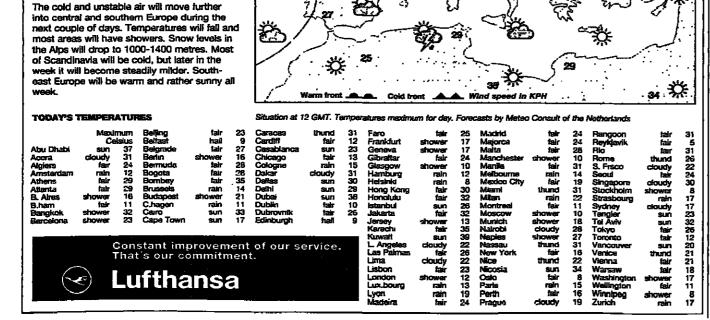
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chief in

Monday October 3 1994

MARKETS

TONY JACKSON: GLOBAL INVESTOR

Commodities are often regarded these days less as an opportunity than a threat. They are seen as a harbinger of inflation, and thus bad news for other types of asset. However, Tony Jackson argues that they are not so much a guide to inflation as a component of it. Page 24.



PETER NORMAN: ECONOMIC INVESTOR

China's economy grew at an average annual rate of 9 per cent in the 15 years to 1993 but when it comes to managing change through economic and financial policy, the Chinese shy away from a big bang approach. Page 24.

The completion of elections has removed a major risk factor for both Swedish and Danish government bonds. However, the markets are likely to remain volatile in coming months, due to the establishment of minority governments in both countries and referenda due in Finland and Sweden on European Union membership. Page 28.

Monday marks an uncomfortable start to the final trading quarter in the UK. The market will have to gain up to 20 per cent in the period if it is to meet the most optimistic of City forecasts for the FT-SE 100 Index at the year-end.

On Wall Street, prices will continue to track the yield on the benchmark 30-year government bond.

EMERGING MARKETS:

Cross-border trading in the Caribbean should get some encouragement from the decision of commercial banking group CIBC (Canada) to offer for sale 45m shares in CIBC West Indies Holdings, its Caribbean subsidiary. Page 26

Reaction to Saturday's partial deal on US-Japan trade talks is likely to dominate markets early in the week. Later, attention will turn to Friday's US non-farm payroll figures, which some feel may push the Federal Reserve into increasing interest rates.

COMMODITIES: Rubber producers will be looking for concessions from consumers as the latest round of talks on a new International Natural Rubber Agreement begin in Geneva today. Page 25

Despite record numbers of issues pulled and a disturbing level of profit warnings from recent candidates, 1994 is still set to break all records for the number of flotations, according to KPMG Peat Marwick, Page 22

INTERNATIONAL COMPANIES:

German chemicals group Hoechst faces the most ambitious shake-up of its management and rational structure ordered so far by chairman Jürgen Dormann. Page 23

STATISTICS

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London share service . 38,39 World stock mkt indices.. 29

Bank of Scotland

Source: FT Graphite

BANK OF SCOTLAND

set to pay off

Policy of lending

Bank of Scotland, which reports its

interim results on Wednesday, is

expected to show that its policy of

profits range from £190m to £202m

(\$319), up from £117.6m at the halfway

stage a year ago. Analysts are waiting for earnings per share figures of 9.6p to 10.4p, of which about 2.1p will go in

The figures are contingent, above all, on estimates of Bank of Scotland's bad

debt provision. If it falls at the rate of

other UK banks, profits would turn out at the higher end of the range. But

recession as deeply as other parts of the

UK, has commensurately less potential

Other banks have achieved profit

growth as the UK economy comes out

of recession. But none have improved

increasing lending and income at the

forecast 9 per cent growth in total

pace of Bank of Scotland. One analyst

income in the year to this first half. The

next fastest growing UK bank achieved

the figures of one actually declined by 4

expand in that its business a decade ago was exclusively north of the border.

total income growth of 7 per cent and

Bank of Scotland has had room to

Now more is in England and Wales

than in its home territory.

their results at the same time as

Scotland, which never went into

to rebound.

per cent.

lending through the recession is paying off. Market forecasts of interim pre-tax

Dresdner and BNP strengthen ties Woolworth By John Gapper in Madrid

Dresdner Bank and Banque Nationale de Paris plan to strengthen their partnership, established last year, by making joint acquisitions in European

The banks want to boost their position in markets where they are under-represented.

Mr Jürgen Sarrazin, chairman of Dresdner's managing board, said yesterday they also intend to

taken. He told a press conference in Madrid during the IMF/World Bank annual meetings that the banks planned to form a joint subsidiary in Spain and buy out minority equity holders in BNP's

operation. He said the banks, which reached a co-operation agreement in May last year and hold small stakes in each other, intended to make joint acquisitions in addition to opening joint operations outside their home countries.

gets, but in countries such as added investment, the opening of Italy where neither has a strong presence, they might try to acquire an existing commercial

or investment banking operation.
The co-operation deal has been investigated by the European Commission on competition grounds, but no decision has been taken. The banks want to raise their cross-shareholdings to 10 per cent in the long term. Mr Sarrazin said both banks considered there were "some European countries where we could be stronger". This could lead to

new subsidiaries, or acquisitions. The most concrete move the two banks have undertaken has been to open joint subsidiaries in eastern Europe, including Prague, St Petersburg, and Buda-

branches, which is not thought to be profitable, and Dresdner has a

operation in Spain is 23 per cent owned by minority shareholders, the restructuring would have to be accompanied by a public offer-

joint working group to plan the future of the Spanish operation. pest, but Spain would be the first operations in Spain. BNP has a small retail bank with 73 branches, which is not the small retail bank is not the small retail bank with 73 branches, which will be a small retail bank with 73 branches, which will be a small retail bank with 73 branches, which will be a small retail bank with 73 br It is expected to concentrate on have doubted whether the partnership would increase either wholesale operation run through three branches. Because BNP's bank's earnings substantially. FT banking conference, Page 30

after rift ing for their shares. The banks have established a By Richard Waters In New York

US leaves

Mr William Lavin, the chief executive of Woolworth, has unexpectedly left the US retailer less than five months after being stripped of the chairmanship over the disclosure that the company had falsified financial

reports.
Mr Lavin's departure, and the announcement that Woolworth is starting a search for a new chief executive from outside, throws further doubt on the future of the troubled group. Hit by growing losses, the company was forced to cut its quarterly dividend from 29 cents to 15 cents in July.

In a statement late on Friday. Woolworth said Mr Lavin's departure was due to differences with the board over the future direction of the company. It refused to say what the differ-ences were, and Mr Lavin could not be contacted for comment. Mr Lavin has resigned as chief executive, vice chairman and a director, "effective immediately". Woolworth said.

The apparent disagreement over strategy throws into doubt the restructuring pursued in recent months by Mr Lavin and raises the spectre of further possible asset sales to stem the retailer's losses.

Mr Lavin has slashed Woolworth's US general merchandise stores and sold its chain of discount stores in Canada, while expanding in speciality retailing both in the US and abroad. But continuing pressure on profit margins in the US and disappointing results in Europe led to a jump in the group's losses in

the second quarter.

The timing of Mr Lavin's departure, on the final day of the third quarter, is also likely to raise stockmarket concerns about the company's recent trading performance.

Mr Lavin had been reinstated as the company's chief executive in May, after stepping aside pending the outcome of an internal investigation into Woolworth's accounting policies. That review found quarterly financial reports in 1993 had been deliberately misstated to allow it report profits rather than losses. Although he was not directly criticised in the internal report, Mr Lavin was stripped of the chairmanship.

The chief executive's job will be filled temporarily by Mr John Adams, the non-executive director who stepped up to become chairman at the time of the accounting debacle.

merge their operations in Spain in the first quarter of 1995, the There were no acquisition tar-London exchange may change rules on short selling

By Norma Cohen in London

The London Stock Exchange is proposing to amend its rules on the short selling of securities in order to limit market manipulation. Short selling is the sale of securities one does not already own. Short sellers usually hope to be able to buy back more cheaply the shares they have just

The exchange has been under pressure from the Securities and Investment Board, the City of London's chief regulatory watchdog, to review rules on short selling. The UK Treasury has expressed concern because it believes current rules may have the effect of increasing the cost of raising capital and damage London as a financial centre.

In a consultative document to be issued today, the exchange indicated it is reluctant to make radical changes to current rules which allow unrestricted short selling but only by market makers - firms which agree to buy and sell large quantities of stocks in all market conditions.

"If regulation of short selling is indeed needed in the UK, then it should be introduced with caution, it should focus specifically on the areas of greatest concern and it should not impede the liquidity of the market," the consultative document said.

The exchange concluded that the potential for market manipulation through short selling is greatest during an "international book-building" by an issuer whose shares are already traded. The exchange noted that these

book-building exercises, common in the US, significantly cut the

cost of raising capital. In a bookbuilding, the issuer announces the intention to sell shares at a future date and the advisers in the meantime attempt to find buyers. Because the price is not set until the day the new shares are sold, investors have an incentive to use all available means, including short selling, to drive the price down.

The exchange cites complaints about five such exercises in recent years. The most recent were rights issues for Eurotunnel and EuroDisney earlier this year. The UK government's sale of the second and third tranches of its holdings in British Telecommunications was also cited.

The exchange said it had no conclusive evidence that short selling was to blame for the sharp drop in prices in these cases. It is proposing a new rule requiring firms to distinguish between short sales and outright sales when reporting their own and their clients' business to it. The exchange is also seeking

comments on four possible approaches to restrict the manipulative effect of short selling: • require, as in the US, public disclosure of the market's aggregate short interest position; ban the covering of a short position with shares bought in a

secondary offering; give issuers greater control over who is allowed to buy shares in a secondary offering, possibly requiring buyers to promise not to sell any of their existing holdings until the book-building is complete; or • allow those offering the shares

to insist they be dealt for cash or purchases settled more quickly.

Swiss bank feels the draught of change



Zurich broker-fund manager Martin Ebner (left) is mounting a strong challenge to directors of Union Bank of Switzerland, led by chairman Nikolaus Senn. Page 23. Maverick hunter, Page 16; Lex. Page 20.

First Choice falls out with WestLB

By Michael Skapinker In London

Relations between the British travel group First Choice Holi-days and Germany's West-deutsche Landesbank, which controls a 21 per cent stake in it, have been soured by cancelled strategy meetings and the failure

of planned joint projects. Lazard Brothers, First Choice's financial adviser, is attempting to clarify the future of the relationship with Schroders, the merchant bank which is acting for Thomas Cook, itself 90 per cent owned by WestLB. Any attempt by the German bank to take control is likely to be resisted flercely by First Choice. Thomas Cook's purchase of a Abroad - to fight off a hostile takeover bid last year from Airtours, a rival tour operator.

Owners Abroad's management said at the time the relationship would enable it to make substantial cost savings through co-operation between Owners Abroad and LTU, the German travel company, in which WestLB had a 34 per cent stake. Owners Abroad said co-operation with LTU would allow it to cut costs through shared aircraft maintenance, fuel buying and spares purchasing and greater buying power in booking holiday

accommodation. Owners Abroad said the tie-up

21 per cent stake helped First with Thomas Cook would enable Choice - then called Owners it to increase its sales through the latter's retail outlets.

After successfully repelling the Airtours bid, however, Owners Abroad's chairman and managing director resigned after disclosing that profits would be only half of market expectations. The new leadership at First

Choice has been unable to establish a harmonious relationship with WestLB. It is understood that quarterly strategy meetings between the two sides have been cancelled by the Germans. Few of the planned benefits of the link between First Choice and LTU have been realised, although relations between First Choice and Thomas Cook have been warmer.

This week: Company news

SHK PROPERTIES

Concerns cloud otherwise healthy market sector

Sun Hung Kai Properties, one of Hong Kong's leading property developers, will post its final results on Friday, effectively winding up the colony's reporting season.

SHK Properties boasts one of the biggest land banks in Hong Kong and the market is looking for an annual increase in earnings of around 30 per cent to HK\$8.7bn (\$1.13bn). Earnings per share are forecast to improve 23 per cent to HK\$3.88. This marks a deceleration on the past three years. partially reflecting the mix of bank and government measures taken to cool Hong Kong's overheating property

Results from the big property developers for last year range from a virtually flat performance at Cheung Kong, which is controlled by Li Ka-shing, through to the 64 per cent surge reported by Sino Land, controlled by the Ng family. Despite the stagnant performance, investors were cheered by Cheung Kong's results which beat the expected 20 per cent decline.

However, the developers go into their new financial year with a number of concerns which could dent this year's healthy rises. Although the government has called off - at least temporarily its war on rocketing home prices, bank mortgage limits remain in place while

interest rates are rising. Property prices have dropped around 10-15 per cent since April, just after the government revealed its intention to act on rocketing home prices.

In addition, relations between the developers and the government, which controls the supply of land, soured after news of the cooling measures.

Developers responded to the government's move by forming jumbo consortia at the May land auction, picking up two plots at bargain prices. Their action is now the subject of an investigation by the Independent Commission Against Corruption.

OTHER COMPANIES Disposal loss may drag predicted

Suez, the French financial services and investment group, is to announce its half-year results for the year to June 30 on Wednesday, with some analysts predicting profits of FF1800m (\$151.5m) compared with FFr516m at last year's

Suez advance

Most of the results of the principal companies controlled by Suez are now known, but much hinges on the accounting policy the group adopts in showing its position.

One significant influence will be the way it handles the FFr1.3bn loss on disposal of its stake in Victoire, the insurance group, which was bought by Commercial Union earlier this

■ Hewden Stuart: Sir Matthew Goodwin, chairman, can be relied on to give an insight into the state of the UK construction industry when he reports interim results on Wednesday. The Glasgow-based company is the UK's biggest independent plant hire group and is involved in every sector, from housebuilding to roads and industrial projects. Analysts expect a sharp increase in pre-tax profits for the six months to July 31, from £9.1m to about £13.5m (\$21.33m). Interest will focus on the trading outlook and what returns have been made from the Hireplant assets of BET - 24,00 items of plant and

Share orice (FFr)

29 freehold properties which Hewden Stuart snapped up for a mere £11m last

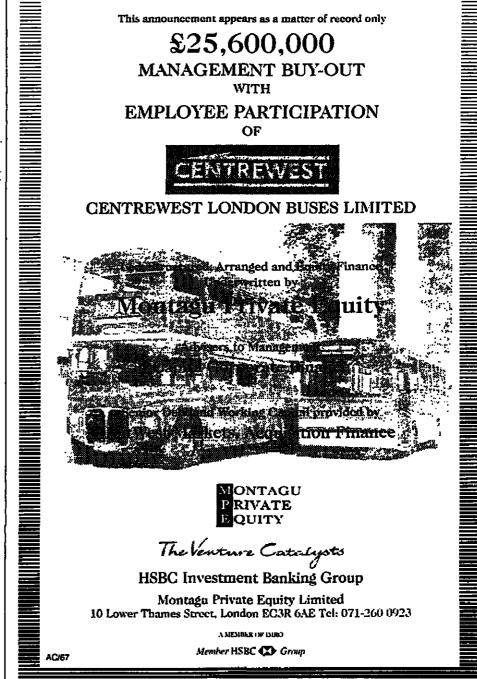
■ Rtam: The UK fashion retailer is

expected to deliver an increase of more than 50 per cent in interim profits to £3.7m (\$5.8m) on Thursday. The company's strategy of defending margins in the face of heavy discounting by rival fashion retailers is thought to be paying off. Shares in the group, which is heavily weighted towards the second half, have risen from the year's low of 217p in April to well over 300p.

■ Browning-Perris Industries: The US waste services group is expected to publish its offer document this week detailing its hostile £364m (\$575.1m) cash offer for UK-based Attwoods. Laidlaw, Attwoods' largest shareholder, has agreed to sell its 29.8 per cent stake at 109p per share, and its 73 per cent preference holding at 85p.

Companies in this issue

Ind. Bank of Japan Air France Atlas Converting Lloyds Bank BHF-Bank MIM Holdings BSkyB Banque Hervet



22

22

23

30

22

30

23

COMPANIES AND FINANCE

and restates results

convertible into ordinary

shares of 10p each on a 1-for-

The proposals are subject to shareholders' approval at an EGM, but Baris warned that if

they were not implemented

"the company may unable to continue to trade".

The company has requested that the Stock Exchange waive

the USM requirement and

allow the placing and open offer to be made at a discount

to the current share price of

greater than 10 per cent. On Friday the shares fell 6p to 33p.

Mr Arthur Morton, who is currently chairman of a num-

ber of quoted companies

including Vistec Group, the computer systems supplier, but

who at present does not own

any shares in Baris, has under-

taken to subscribe in full for

those shares not taken up. After this he will hold a mini-

mum stake of 15.8 per cent and

Baris refinances

Baris Holdings, the USM-

traded building services com-pany, plans a refinancing. The

announcement accompanied

financial year to include a

£1.68m writedown on the Little

Britain project in London.
This follows settlement of

arbitration proceedings against

Wimpey Construction after the

Baris results were originally announced in May and

increased the pre-tax loss to

£3.12m for the year to February

28. This compared with a

reported £1.43m loss in May

and a £351,000 deficit previ-

Barls plans to raise £1.72m

net, by way of a placing and

9-for-8 open offer of 7.99m new

shares at 25p. In addition, the

company is converting £2m of

bank debt by way of a sub-

scription for 5m convertible

preference shares at 40p each.

ously.

restated results for its last

KPMG expects record year for flotations

By Simon Davies

Despite record numbers of issues being pulled and a disturbing level of profit warnings from recent candidates. 1994 is still set to break records for flotations, according to KPMG Peat Marwick.

According to the latest statistics from the accountancy group, there were 182 flotations in the first nine months of the year, marginally higher than the 180 issues launched in

So far this year, KPMC estimates that a total of £7.8bn has been raised from new issues. and it expects that a pick-up in activity before the November budget should put the final tally comfortably ahead of the 1986 record of £9bn.

This has happened in a year when offerings from Nottingham Group, Aerostructures Hamble, McDonnell Douglas Information Systems, and United Carriers have all fol-

Atlas jumps

Atlas Converting Equipment,

the manufacturer of slitting

and rewinding machinery,

improved pre-tax profits 35 per

cent in the half year to June

30, from £1.38m to £1.86m, on

turnover virtually unchanged

Mr Christopher Rogers,

chairman, said continuing dif-

ficult trading conditions had

again resulted in low margins,

by 35% to

£1.86m

lowed upbeat share offers with profits warnings.

Mr Neil Austin, head of new issues at KPMG Corporate

Finance, claims that "those investors who have had their fingers burnt will be particularly wary when looking at the new issues they are now being "It is not difficult to see that

some companies and their advisers will be facing an uphill struggle to convince investors that they are of a suitable size and quality to join the main stock market."

Some issuers have aiready given up the fight. London Capital Holdings was the first large issue to be pulled this year. It is not expected to recover from the shock, with Citibank considered more

likely to sell off the properties. The downturn in the stock market since late August has exacerbated concern at the recent statements from Aerostructures Hamble and MDIS.

NEWS DIGEST

66.17 per cent owned by Amstrad, reported pre-tax profits of £203,000 for the year to June

The 61 per cent fall, from

£516,000, came on the back of

turnover marginally ahead at

£13.5m (£12.1m). Earnings per share were cut to 0.3p (0.83p).

Operating profits for the

period improved to £138,000.

compared with £57,000; how-

ever, this year's pre-tax figure

included a £55,000 provision for loss on sale of fixed assets,

while last year's included a

£213,000 profit on the sale of

fixed asset investments.

ment of offers for carton manufacturer Boxes, pizza chain Bright Reasons, and news-agents Martin Retail. Mr Austin said there were some others that had also been added to the danger list. higher number of compa-

The combined effect has

sparked the likely postpone-

nies have been forced to radi-cally cut back their target for capital raising. Pre-marketing exercises have been followed by advisers radically scaling back price expectations in an attempt to relieve the current institutional indigestion. Games Workshop cut back

its target capital raising from £20m to £12m when it announced its pricing last Friday, and others will follow. As Mr Austin said: "It is getting to the stage of the economic cycle where a trade sale is becoming a meaningful alternative to flotation for people who need an exit within the next six to nine months."

by the continued development of niche markets.

Waterman Partnership, the

consulting engineer, benefited from increased activity in the

property and construction sec-

tors, reporting a 61 per cent

increase in pre-tax profit from

£124,000 to £200,000 for the year

Turnover improved 12 per cent from £7.35m to £8.22m.

Earnings per share were 0.3p

(0.1p) but the proposed final

dividend is maintained at 0.5p

for an unchanged total of 1p.

to June 30.

Waterman ahead

Inoco declines to £250,000

Elvia (Switzerland)

Four Seasons Hotels

Atari Corp (US)

Strategic alliance

Immix (US)

Technoflow (Germany

HFDC Bank (India)

C&M Ready Mix (US)

Inoco, the USM-quoted property group, reported a fall from £834,000 to £250,000 in pretax profits for the six months ended June 30.

Turnover. however. improved from £4.81m to

BIDDER/INVESTOR

Allianz (Germany)

Normandy Poseidon (Australia)/BRGM

Prince Al-Waleed Bin

Reckitt & Colman (UK)

There was a £2.8m loss (£11,000 profit) on investments of investment properties.

and a profit of £1.22m, against losses of £4,000, on the disposal Earnings per share at this Norwich-based company clined from 0.4p to 0.12p.

CROSS BORDER M&A DEALS

products

Mining

Hotels

Video games

Engineering

Banking

Building

Food processing

Video equipment

Hillsdown plans to redefine premium account

By Christopher Price

Hillsdown Holdings, the food manufacturing group, is to seek shareholders' permission to redefine £420m of its share premium account as other

The company said the move was a technical one which would enable it to use the share premium account reserves to write off goodwill which had previously arisen on acquisitions.

The write-offs had amounted

to £562.5m over a number of years, and had previously been set against the profit and loss reserves. The latter stood at £22m at the 1993 year-end.

An emergency shareholders meeting has been set for Octo-ber 28, and if approved, the company must apply to the courts to approve the change in definition.

Hillsdown stressed that the reserves would not be allowable initially as redistributable reserves from which dividends are paid. However, they could become allowable after any restrictions that the court might put on its ruling are

COMMENT

changing focus

non-core sele

Multi-part multi-national

Building up

leisure Interests

rights deal

joint venture

UK's Carlton

taking profit

Plans for 20%

Aggregate

Three-stage buy

Capital

agreed

Recktt

VALUE

£362m

280m

£19.4m

£10m

Air France reduces loss to FFr2.61bn

By John Ridding in Paris

Air France, the French state-owned airline, reduced losses for the first half of the year to FFr2.61bn (\$495m) from FFr3.82bn in the same period in 1993. The French flag carrier,

which is in the midst of a restructuring package after several years of substantial losses, has said it hopes to limit losses to about FFr3.7bn in the 15 months to the end of March 1995. In 1993, the airline had a net deficit of FFr8.48bn. In an attempt to return to profits, Mr Christian Blanc,

chairman, has implemented a restructuring package aimed at increasing productivity by 30 per cent by 1997. The plan is to be accompanied by a capital injection of FFr20bn from the French state over the period.

Air France cited some signs of encouragement in the first six months. It said that sales had stabilised after the sharp decline of 1993 and totalled FFr27.5bn. The overall figure masked an increase in volume sales of about 10.6 per cent,

which was offset by price reductions as the company sought to win back passengers from rival airlines.

Operating profits rose from FFr657m to FFr1.61bn. According to Air France, it was only from April that the underlying results started to benefit from the restructuring and costcutting plans from April. The company has been pur-

suing a series of asset sales to

help reduce debts, which

amounted to about FFr40bn at the beginning of the year. Last month, Air France announced the long-awaited decision to sell its controlling stake in the Méridien hotels chain to Forte. Expenditure on acquisitions

totalled FFr4.94bn during the period. This principally represented the purchase of aircraft, including three Airbus A340s and two Boeing 767s.

The period since the end of June has brought a reorganisation of the group structure. Air France has sold its holding in Air Inter, its domestic subsidlary, to a new holding com-pany which groups the two carriers' interests.

Banque Hervet in black

By Andrew Jack in Paris

Banque Hervet, the French retail bank, recovered to return profits in the first half of the year of FFr28m (\$5.3m) compared with losses of FFr361m in the previous corresponding term.

Hervet was scheduled last year to be sold by the government as part of its privatisation programme, but the plan was shelved this spring pend-

ing a recapitalisation. The bank said the privatisation plans were still suspended, although a recapitalisation agreed with shareholders was completed in June this year.

Hervet reported provisions down substantially and said all of its operations has been profitable except Hervet Credit. specialising in property financing. Its solvency ratio stood at 10.5 per cent, against a regulatory minimum of 8 per cent.

Saint-Louis climbs sharply

By David Buchan in Paris

Saint-Louis, the French food and paper group, lifted first-half profits to FFr401m (\$76m), compared with FFr252m in the same period of 1993, on a 2 per cent rise in turnover to FFr17.75bn.

The sharp profit increase was partly accounted for by restructuring costs in early 1993 for the group's Euralim food subsidiary and its Arjo

Wiggins Appleton paper subsidiary that did not reoccur this year.

However, the profit contribution of the group's paper busi-ness rose to FFr229m compared to FFr156m in the first half of last year.

In Europe, Arjo Wiggins Appleton significantly improved profitability which in the US was maintained at a high level, the group

October 1994

Darby advances 49% with "no immediate prospect" of improvement. However, Talaal (Saudi Arabia) Just £55,000 in red Darby, the USM-quoted maker of specialist glass products, lifted pre-tax profits by 49 per improved results at General Just Group, the character lic-Sega Enterprises (Japan) Vacuum helped offset lower ensing company which came to cent from £379,000 to £565,000 the market in March, incurred margins elsewhere. He added Acatos & Hutcheson (UK)/ that the order book in all diviin the six months to August 31. a pre-tax loss of 255,000 for the sions led the company to Turnover improved by 6.7 six months to May 31 on turnper cent to £8.29m (£7.77m). over of £409.000. expect an increase in output The interim dividend is lifted Mr Wilf Shorrocks, chair-TI Group (UK) and profits for the second half. to 0.9p (0.5p), payable from earnings of 2.67p (2.2p) per A 7p interim dividend is man, said the company now maintained on earnings per represented 10 properties on an Scitex Corp (Israel) share of 11.86p (10.01p). exclusive basis. He added that the management believed the Mr Michael Darby, chairman, National Westminster said the group's concentration full benefit of properties "can Betacom falls 61% Benk (UK) on improving the overall qualonly be obtained over a three Betacom, the consumer teleity and mix of the business had year period. Camas (UK) communications company proved successful, evidenced Losses per share were 0.11p.

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		* CLM - CLM Oyens & vae Eeghee * KEM - Kempee & Co. * LAB - Bank Labanche * ORC - ORCO Mederland * SUZ - Suez Mederland Securities * ROB - Robeco Effectaelog * SBC - Swiss Bank Corporation * STR - Strating Effecten * BPM - Banque Paribes Mederla	nt DAXII
	Sau-	* 185 - Institutional Brokerage Services * 1MT - LRTEGRO * XBW - XBW Effectenba *WLK - Yoo der Wolk & Co. * PSI - Perk & Schmidt International * AMS - Arcelgold.	
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Westdeutsche Landesbank Girozentrale London Branch

Credit Suisse

Morgan Grenfell & Co. Limited

Lloyds Bank Plc **NatWest Markets**

Royal Bank of Canada

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COMPANIES AND FINANCE

Hoechst plans big restructuring

By Christopher Parkes in Frankfurt

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reduces 2.61bn

t in black

40 mg/s

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(1) The 1994

Germany's Hoechst chemicals group is to sweep away its antiquated, centralised management and operational structure in the most ambitious shake-out ordered so far by Mr Jürgen Dormann, the new chairman.

The changes, effective from January 1, will reduce the number of operating divisions from 15 to seven and transfer responsibility for divisional strategy and profits to their managers, the company said.

This will leave the main board free to concentrate on group strategy, supported by a central administration comprising about 200 people. Previously centralised responsibilities for factories and departmental functions are to be passed down to individual divisional managements.

First results

for Ina since

"We need more entrepreneurial initiative, market and customer orientation and greater flexibility," the group said in a notice to staff. The current structure was "a finemeshed net, trapping and considerably delaying decisions, business processes, customer demands and change," it

Mr Dormann, who took charge in May, said recession had exposed structural weaknesses in the group which had not yet been repaired. It could not allow itself to fall into such a situation again, he said, recalling that it had been forced to close more than 20 German fine chemicals plants during the recent slump.

Mr Dormann warned that decentralisation did not mean operating divisions could allow themselves the luxury of heavy

"It is the job of divisional

ther," he said.

Under the plan, future operating divisions will comprise chemicals, special chemicals, fibres, plastics and film, engineering plastics, pharmaceuti-

cals and diagnostics.
The number of business units, covering distribution. packaging and other functions. will also be cut from 120 to about 30, while subsidiaries, such as Schwarzkopf personal care, Uhde plant construction, Herberts coating and paints and Messer Griesheim industrial gases, will be run as independent companies.
The possibility of merging

central engineering services into Uhde is currently under investigation.

The move will destroy the pyramid structure commonly found in many German groups - with most decisions being said.

chiefs to keep their structures made at the apex - and replace lean or slim them even furity with a flatter hierarchy in the modern Anglo-American

> It follows specific restructuring measures, such as the consolidation of global fibres operations into one division now controlled out of the US.

The healthcare business recently announced closer integration of its French subsidiary, Roussel Uciaf, into other pharmaceuticals operations. Mr Jean-Pierre Godard, drugs chief, said the aim was

to cut out duplication in research and manufacturing and increase gross operating margins, currently about 10 per cent of sales, to 14 per cent within three years.

Including a reduction of 800 in the workforce, the rationalisation measures are expected to save the group DM200m (\$129m) a year, Mr Godard

BHF-Bank hit by bond market downturn

By Andrew Fisher in Prague

BHF-Bank has announced flat operating profits for the first eight months of 1994 as a result of the downturn in world bond markets and higher risk provisions, but said recently announced restructuring plans should lead to a big rise in eventual profitability.

Group operating profits totalled DM202m (\$131m), a drop of 0.1 per cent on the first eight months of 1998. Compared with eight-twelfths of last year's total - the usual comparative basis at German banks - the decline was 6.4

Mr Wolfgang Strutz, the bank's senior partner, said profits on own account trading had fallen by 89 per cent using the eight-twelfths comparison. mainly as a result of writedowns in BHF's bond portfolio. Risk provisions had risen by 5.7 per cent, with the bank exposed to both the Schneider property and Procedo/Balsam factoring collapses.

Growth in partial operating profits, which exclude own account trading, was 17.7 per cent; the bank gave no total. Interest rate business produced profits growth of 14 per cent, with commission income up by 2 per cent.

Blaborating on the new structure, to be put in place over the next year, Mr Strutz said this should lead to "a significant increase" in earnings per share. But the investment in new systems and people would affect the 1995 result and probably that of 1996.

Compared with the 1993 return on capital of 13.4 per cent before tax, he said the bank was aiming at 20 per cent. The aim was to earn returns similar to those of other international banks.

BHF is refocusing its activities to become one of Europe's leading advisory and trading banks in the next five years.

BHF, in which the Allianz insurance group and DG Bank own large minority stakes, will concentrate on corporate banking, financial markets, and private banking and asset restriction permitting only and traded at a substantial discount to the bearers. From the start, these securities have been among BK Vision's larg-

est holdings.

and registered shares of

land displayed rare volatility

on Friday as investors strug-gled to guess the outcome of

the war that had just been

declared between the directors

of one of the world's most

highly respected banks and Mr

Martin Ebner, a little known

At the close, the market

seemed to be backing Mr

Ebner, no small tribute to the

immense resources and influence this intense man has

accumulated since setting up

years ago. However, the

unavoidable final showdown at

a UBS extraordinary general

meeting on November 22 is

The main issue is whether a

group of shareholders repre-

senting only a minority of the capital should be able to con-

trol the board. But the battle is

also part of an ongoing strug-

gle between an old, self-serving

Swiss financial establishment

and a new generation of asset

managers who want better per-

formance from their Swiss

And it is a personal confron-

Senn, the earrulous UBS chair-

distaste for a cheeky upstart,

and a successful outsider who

resents the posturings of some-one whose stewardship of Swit-

dates from 1991, when he launched BK Vision to invest

in financial equities. It was

of his clients to shift their less

UBS registered shares suf-

liquid holdings.

investments.

still seven weeks away.

his BZ banking group nine

Zurich broker fund manager.

Union Bank of Switzer-

Market gives Ebner first

round in battle for UBS

Mr Ebner made clear that BK would be an active shareholder - nudging directors towards greater transparency and sensitivity to shareholders - and has been particularly aggressive in needling UBS.

Ian Rodger reports on the opening moves in a banking confrontation

In its latest dig, BK Vision put a motion on the UBS AGM agenda in the spring proposing that the number of board members be reduced from 22 to a maximum of nine. Mr Senn resisted it with a farrage of pretentious arguments about UBS's responsibility for the whole Swiss economy and, armed with the usual fistful of proxies, he carried the day. But Mr Ebner, to his immense surprise, attracted

tation between Mr Nikolaus some 40 per cent of the votes, and it now looks as if he interman who cannot conceal his preted this support as a wider mandate to challenge the bank's basic policies. According to Mr Senn, Mr Ebner told him he was trying zerland's largest bank has been undistinguished. Mr Ebner's interest in UBS

to corral a majority of the votes with a view to installing a new board at the next annual general meeting and directing UBS to abandon its universal strategy and concentrate instead on investment banking and asset management.

apparently set up in part to accommodate the wish of some As UBS has a market capitalisation of over SFr30bn, it would normally be extremely fered from a small float and a difficult for anyone to accumu-

late enough votes for such a Swiss nationals to vote them, cause, especially as the bank's performance, while mediocre, is not distressing. But those registered shares that BK Vision holds have five times the voting power of bearers.

Claiming it would be unfair for investors representing only a minority of its capital to take control, the UBS board last Thursday proposed splits of both the bearer and registered shares, giving them equal voting power. The registered shareholders' aggregate voting power would fall from 50 per cent to 20 per cent, in line with their capital commitment.

Predictably, BK Vision cried foul, saying the bank would take away the registered shareholders' property rights with-out compensation. The registered shares have been trading at a substantial effective premium to the bearers in the past few months, but only because Mr Ebner and his allies have been buying them. Mr Ebner is on stronger ground when he argues that his goal is to focus the bank's efforts on profitability, which he says is in the interest of all shareholders.

TBS directors face a tough structure must win two-thirds of the votes at the EGM plus a majority from each share class. That means they must con-vince many Swiss registered shareholders, including UBS employees, it is in their interest to see those shares lose a quarter of their value.

If investors thought UBS was going to win, the premium on the registered shares should have disappeared on Friday. But at the close, it still stood at 26 per cent.

Mayerick hunter, Page 18

Ferfin cuts debt by near 30%

privatisation By Andrew Hill

Ina, the Italian insurance company, reported parent company pre-tax profits of L250bn (\$160m) for the first half of 1994, in its first results since June, when the Italian treasury privatised 51 per cent of the company.

Comparison with last year's figures is misleading, because until October 1993 Ina benefited from compulsory contributions from other Italian insurers, but the company pointed out that in the whole of 1993, its pre-tax profit amounted to only L274bn. Group premium income

reached L2,970bn, up 12.8 per cent on the equivalent period, L1,218bn from life activities, and L1,752bn from non-life. Istituto Bancario San Paolo di Torino, Italy's biggest banking group, reported a net profit in the first half of L203bn, almost the same as last year, but operating profits fell by 21

per cent to L862bn. San Paolo has been affected, like all Italian banks, by pressure on interest margins and paper losses on its investment portfolio, compared with the favourable conditions of the first six months of last year.

By Andrew Hill in Milan

Capital increases and asset sales enabled Ferruzzi Finanziaria, the financial holding company of Italy's Montedison industrial group, to cut debt in the first six months of this year by nearly 30 per cent to

L15,768bn (\$10bn). At end-1993, Ferfin's debt stood at L21,951bn, or 5.5 times net equity. The debt-equity ratio had come down to 1.7 by June 30. Last year creditor banks of Ferfin and Montedison agreed to convert some of their loans into equity to rescue the group from near-collapse following years of alleged

Ferfin also reported a return to pre-tax profit of L144bn in the first half, compared with a loss of L840bn in the first six months of 1993.

The group said that it expected the second half to be even better than the first, but warned that the net result of the group would still be nega-

In 1993, Ferfin reported a

consolidated net loss of L2.419bn, and Montedison a net loss of L1,611bn. In the first half Ferfin's turnover rose to L11,431bn, against L11,489bn.

• Ciga, the Italian luxury hotels group controlled by ITT of the US, has cut its losses

and reduced debt in the first half of 1993. The consolidated net loss for

the first six months of the year reached L64bn, compared with L110bn in the equivalent period of 1993, thanks partly to an improved performance from the core hotels division.

The group's share issue earlier this year has also allowed Ciga to reduce its debts to L232bn at June 30, compared with L1,102bn six months earlier. ITT, the US conglomerate which owns the Sheraton hotel chain, has 35.25 per cent of Ciga, and has launched a formal bid for a further 35.25 per cent, which will close at the

MIM sale cuts ties with Cominco

By Nikki Tait in Sydney and Bernard Simon In Toronto

Holdings, Queensland-based metals group, has sold its remaining 8.65 per cent holding in Cominco, the North American min-

ing and smelting group, for C\$164.9m (US\$128m). The sale cuts all shareholding ties between the two companies and ends an ambitious international base-metals alliance which was stitched

together during the 1980s by MIM, Germany's Metallgesellschaft and Teck Corp of Vancouver.

Barlier this year, MIM sold its half share in Nunachiaq, a private investment company. to Teck for C\$139.7m. Nunachiaq's principal assets included a 27.7 per cent holding in Cominco, as well as a 22.46 per cent interest in the Polaris zinc-lead mine joint

Metallgesellschaft earlier

this month sold the bulk of its international mining assets, including indirect stakes in Teck and Cominco, with the disposal of a controlling stake in Metall Mining of Toronto.

in the case of the latest Cominco sale, MIM said that the shares had been 'broadly distributed" among investors on a block trade basis at C\$24 a share. The disposal of the 6.87m shares will generate a C\$11m profit before tax for MIM's Canadian subsidiary.

Aeromexico board launches probe

The board of Aeromexico, Mexico's largest airline carrier, is investigating alleged financial irregularities by the former management of the company that may prevent it from covering some of its financial obligations, writes Damian Fraser in Mexico City.

Shareholders were informed

that \$50m of company funds could not be accessed, because of possible "irregular conduct" involving the alleged use of the money as collateral to buy shares or receive a loan. A senior government official

confirmed that the authorities were looking into alleged ille-

The announcement follows last month's resignation of Mr Gerardo Prevoisin, the former chief executive. Mr Prevoisin had been unable to reach agreement with banks over rescheduling of debt of Mexicana, the airline that Aeromexgal use of the company's funds ico took over last year.

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AAH 11.9p Do. 4.2% Pt. 2.1p Od. 4279 Ft. 2-1p Altisen Hume 1p Alvis 0.5p Do. 514% Cv. NAvig. Pt. 2.75p Anglian Water 15.5p Asda 1.21p Ayshire Metal Prods 1.25p BWD Secs. 1.7o BWD Secs. 1,7p Bank Montreal 10%% Dep. Nts. '98 C\$103.75 Barbour Index 5.8p Baxter Int. \$0.2825 Birktry 4.8p Black Arrow 2.1p Bogod 0.25p Do. A Rest/Vtg. 0.5p Bristol Water 22.4p Do. NVing. 22.4p Do. 6'4'% Cv. Pf. 1998 3.375p Bristol Water 8'4'% Cm. Irrd. Pf. 4.375p Bromagrove Inds. 2,85p Buckingham Int. Sec. Rd. Ln. '95 £4,3904 Cartisle 0.25p Do. 4.38% Rd. Pf. '98 17.52p Casket 0.7p Chieftein 1.5p Clarke (T) 1.28p Colefex & Fowler 0.5p Compco 12.96p Cook (DC) 0.7p Cook (Wm) 5p Craig & Rose 5% Cm. pl. 1.75p

Do. 514% Ov. Pf. 2.75p Crown Eyeglass 8.5p Daejan Hidgs. 17p Dalepak Foods 1p Davemont Knitwear 9.2 ear 9.2o Davistport Knitwear 9-2p
Ditcors 4-3p
Druck 7-1p
Dyson (J & J) 2p
Do. A N/Vg. 2p
Eastern Electricity 16.4p
East Miclands Elect 15.9p
East Surray Hidgs. 9% 96 Cm. Pf. 4.75p
Electron House 7% 96 Cv. Pf. 3.75p Elsevier FL1.76 noort 8k.Jap. 4%% Gtd. Bd. '03 FKI 2.20 Finland (Rep of) 10%% Bd. 98 £103.75 Fleming Figh Inc. Inv. Tst. 1.1p For, & Coloniel Inv. Tst. 0.6p Gartmore American Sec. 1p Gen. Accident 7%% Crn. Pf. 3.8375p General Con GEC 8.01p eral Cons Inv. Tst. 3.9p GEC 8.01p Gibbon Lyons 3.3p Gibbs Mew 5p Govett Emerg, Mids. Inv. Tst. 0.25p Granada 3.33p Grand Metropolitan 5.16p Grand Metropolitan 5.16p Greet Southern 4.5p Hambros 7½% Crr. Pf. 3.75p Hampson Inds. 1.5p Do. Cv. Pl. 1991/2003 3.25p Hanson Sp Harrington Klibride 1p Haziewood Foods 4.3p Hewetson 0.75p Heywood Williams Cv. Pf. 3.375p

Holles 0.3p Holleday Chemical 2p Howden 1.61p Hydro-Quebec FRN Ser.Li Oct. 05 \$125.99
ICI 10.5p
Japan Dev. Bk. 5% Gtd. Bd. '99
Y50000.0
Johrson Grp. Cleaners 2.8p
Kalon 1.5p
Kawiff Systems 5p
Kawiff Systems 5p
Kakiwort High Inc. Tst. 1.875p
Law Debenture 6.75p
Leigh Interests 6.37p
Leigh Interests 6.37p
Lesie Wiae 1.75p
Lonno 2p Lowno 2p Low & Boner 3.2p Low (Wm) 614% Pf. 3.376p Lowndes Lambert 10p Marshalts 3p Do. Cv. Pf. 3.25p Do. Cv. Pf. 3.25p Do. Cv. Pr. Sacry Merivier-Swah 2.8p Met. Water Lambeth 3% Db. \$1.50 Do. London Bridge Anns. £1.25 Midlands Electricity 15.55p 1.75p Murray Split Cap. 7st. 2.65p Do. Units 26.5p Neepsend 0.75p reas.12.1% Gtd. Exch. Bd. Nobo 4p Northamber 0.8p GS Hidgs.

COMPANY MEETINGS: Courtyard Leisura, 62. Carter Lane, E.C., 10.00

British Building & Eng. Appliances

*

Postmetrion Potteries 2.5p P & P 0.95p Prudential Fdg. 10% Nts. Oct. 96 C\$100.0 Real Time Control 4p bre Leese Mrights. 71/4% Mezz. Nts. '01 Sabre Lesse Mingritt. / Note America. Presc E18125
Do. 5.89% Smr. Nts. 2001 £1450.0
Sainsbury (J) \$190% Nts. 76 \$456.25
St. Andrew Tst. 2.89
Schlumberger \$0.30
Scottish Hydro-Bactric 8.68p
Scottish Power 8.27p
Search 0.87p
Sears Roebuck \$0.40
Severn Tremt 15.2p
ShareLink Inv. Services 8p
Slebe 7.34p Slebe 7.34p Skandia Cap 11% Gtd. Nts. '96 £110.0 Smith (David S) 8p smm (Dävid S) 8p Southend Property 1.8p Do. Pf. 3.5p Southern Electric 16p Southern Water 15.4p South Western Elect. 18.5p Standard Chart. 7%% Non-Cm.

Boosey & Hawkes Johnston Gro.

WEDNESDAY OCTOBER 5

Northern Ireland Elect. 8p Northumbrian Weter 16.2p North West Water 15.4p Norweb 16.3p OMI Int. 1p Obis 0.5p Oxford Instruments 3.4p PSIT 2.875p PICo Hidgs. 2.8p Do. A LimVitg. 2.8p Patigran 0.25p Portmatrion Potteries 2.5p P & P 0.85o

TONGERROW

TOMORROW
Anglo American Ind. R1.32
Budgers 0.7p
Burtorwood Brew. 7% Cm. Pf. 2.45p
European Motor 2.525p
Eyecare Products 0.5p
Hawtin 0.275p
Matthew Clark 10.75p
Northern Elect. 17.45p
Perk Food 1.567p
Premark Int. \$0.20
Resonore 1.5p
Sints Food 5.5p insurance Hall, 20, Aldermanbury, E.C.,

Intt. Pf. 3.8875p State Bect. Comm. Victoria 7%% Gtd. Nts. '12 C\$78.75 Sun Atlanca 7%% Cm. Intl. Pf. 3.6875p Suntainca 7%% Cm. Intl. Pf. 3.6875p Suntainca 5% Talcare 0.8p Traisey (552a) 3.65p TR Fee East Inc. Tst. 1.4p Traisey (552a) 3.65p

Inplex Lloyd 4.5p Intzec 10% Snr. Ob. Oct. 98 C\$100.0

Ugland Int. 0.74p Unitech 4.32p Vardy (Reg) 3.2p Vibroplant 2.38p Victoria Carpet 4.5p

Wagon Incl. 11.5p Weish Water 16.95p

Interest, W., 3.30 BOARD MEETINGS: Presence Interins: Bank of Scotland Hewden-Stuart Morgan Grantell Latin Trafficmaster Waller Constitute

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Met. Wir. Greno Juneau.

21.50
Do. West Middo. Water 3% Db. £1.50
Mt. Hidgs. 0.85p
Peel Hidgs. 3.2p
Sootlish American Inv. 1.2p
Treesury 3% Ln. 02/06 24.0
Treesury 3% (1975 of After) £1.50
Wallarmson Tee 15p E THURSDAY OCTOBER 6 Armitage Bros 3.7p Bampton Prop. 7%% Un. IN THURSDAY OCTOBER 6

Termsc Fin_(Jersey) 91/2% Cv. Bd.'08 547.50

Ashtead 4.2p Bradford Prop. Tst. 1014% Pf. 5.25p Braime (TF & JH) 2.8p

Carrier \$0.05 Cleveland Place \$4% Ind. Db. £1.875 Do. 45% Ind. Db. £2.125 Consolidated 216% 00.625 Edinburgh Inv. Tet. 5%% Db. '98 £2.875

WEDNESDAY OCTOBER 5

AIM 3p Annuities 21/16 20.625 Annuities 21/16 20.6875

Do. A N/Vig. 2.6p CIA (1.51p CRH 7% A Cm. Pf. 192.625p

THURSDAY OCTOBER 6
COMPANY MEETINGS:
Armitage Brothers, Armitage House,
Colvick, Notinghem, 11.00
Elfis & Everand, Grucers Hell, Princes
Street, E.C., 12.00
Verity Grp., 82, Threadneedle Street,
E.C., 11.00
BOARD MEETINGS:
Timels:

Banks (Skiney C) 6.25p Besway 9½% Pt 2014 4.75p Bespak Sp Bespak 6p Britannic Assurance 4,25p Browning-Fants \$0.17 Browning-Fartis \$0.17
Capits 1.1p
Dhana Siem Fh. 4% Sb. Bd. '03 \$40.0
Fleating Enterprise Inv Tst, 3.4p
Gencor R0.10
Greenals 8% Intl Un. Ln. £4.0
Do. 9%% Intl Un. Ln. £4.5825
Greycost 7% Rd. Cv. Pf. 2014 2.1p
GT Chile Growth Pd. 80.60
Hodisigh Inds. 1.5p
Irish Perm. Bidg. Schy. FRIN '98 £139.89
McKay Securities 3.1p
McMullen & Sons 6½% Cm. Pf. 3.25p
Do. 1016% Pf. \$2.5p Do. 101/1% Pf. 5.25p River & Merc. Geored Cap. & Inc. Tst. 99 1.40 Sotheby's Hidgs. Class A Lim/Vtg. \$0.06 TR Smaller Co's Inv. Tst. 2.3p WMX Tech. \$0.15 Ward Hidgs. 0.5p Westpac Banking FRN '95 \$22.11 Whitbread 9% Ur. Ln. 97/2001 £4.60

E FREDAY OCTOBER 7 Admiral 2.5p Allience Tat. 15p Do. 4% Pf. £1.40 Do. 4% Pf. £1.4875 Do. 5% Pf. £1.75 Amicable Smaller Ent. Tst. 1.7p Blocks Leisure 1.5p Brad. & Bingley Bidg. Scty.

Beradin Etam Helene Henderson Highland Plantation & General Radamoc

■ FRIDAY OCTOBER 7 COMPANY MEETINGS:

Version Int., Chamber of Industry & Commerce, 75, Harborne Road, Birmingham, 10.30

Sherwood Talwan lov. Tst.

13% Perm. Int. Brg. 2650 0 British Assets Tst 1.09p Cementone 0.4p City Merchanta High Yield Tst. 2p Drayton For Eastern Tst. 0.125p Dudlov Jankins 2.035p Dunder int. Growth Inv. Tst. 8.9p First Technology 2 5p Groevenor Inna 2 5p Grosvenor Inna 2 Sp Incquise Vert 3p Nicension O'eous Inv. Tel. 1 Sp Uberty Life Assoc. of Arrica R0 98 Hoyds Abboy Life 0.8p MEE Fin. Grd. Dual Bests Bd. Tot contin. To \$24844.79 MFI Furniture 2 67p Marting Inds. 0 57p Motor Bulletin 4p North Midland Construc Rea Brothers 0.5p River & Morcantile Inc. 2 2 Scottish National Tst. 1.8p Shorco 2.7p nule Inc. 2 250 Stagecoach 2.dp Stagecoach 2.dp Staling 1.35p Syltono 3.31p Thom EMI 25p M SUNDAY

OCTOBER 9 Blockbuster Ent. \$0.025

ROARD MEETINGS: interims. Chepstow Rac Cohen (A) Fitch Geest Stingsby (HC)

approve the preliminary results.

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Gates (Frank G) Rossmont Interims: Bilton

Grand Central Inv. Henting Baker Harris London & Assoc. Inv.

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production of goods. This seminar will Commercial Agents provide opportunities to hear clear an practical explanations by leading expents. ies to hear clear and CBI/Warner Cranston half-day sen Further details from Internation less the way forward for principals Professional Conferences Ltd and agents and provides practical guid Tel: 061 445 8623 for operating under the new laws. Contact: Belinda Rogerson, LONDON

Tel: 071 379 7400 Fax: 071 497 3646 Law on insider Dealing Seminar examining the impact of the new law and its likely interaction with other LONDON OCTOBER 24 law. Developed jointly with Travers Smith Braithwaite with key input from the Stock Social Justice Commission Report The final report of the Commission on Social The final report of the Comment, personal Justice, Housing, employment, personal Exchange and coun Contact: Ben Goh at Quintessence finance and government policy examined. Sir Gordon Borrie, Tony Blair MP, Bea Business Training Tel: (0908) 322450 Fax: (0908) 220213 Campbell, Christopher Haskins, Patricia LONDON Hewitt, Sheens McDonald, John Monks. Contact: Neil Stewart Associates

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A conference to examine and highlight the annual Business School reception for intending students. Over forty leading schools from continental Europe, USA and es and applications in co the UK. Free of charge. To register to telecommunications technology, and to event sponsor, NatWest Bank on amine Government policies to face those Tel: Presphone 0800 282 700. hallenges. Government Minister and LONDON Larry Irvine, USA Secretary of Comt: Noti Stewart Asse

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spects of successful working relations. et: Rachel Thomas or Sarah Will IRC Technical Services Contact The Institute of Materials Tel: 071 637 4383 Fax: 071 631 3214 Tel: 071 839 4071 Fex: 071 823 1638

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III TOMORROW

in Europe corporate or partnership joint venture; Tax Tips and planning points for property joint ventures; joint venturing across national Wheeler Business Communications. considers ways (print, broadcasting, lobbying, IT, branding etc) to meet the challenges of communicating in the Europe borders - what are the tax implications?; requirements and developments in 071,976,0682 accounting for joint ventures; A tax efficient start: structuring and financing the joint venture. LONDON

Contact: Kate Roberts, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214 LONDON

OCTOBER 25 & 26 The Third Age of Media Surrey, England. For free admission tickets The changing face of media - the media tunities in the 50+ markets. A joint conference organised by Age Concern England and The Henley Centre, this two day event is a compreh asive introduction to the exciting world of matur and media. Cost: £730 + VAT Contact: Anna Harman at The Healey Centre Tel: 071 353 9961

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NOVEMBER 7

ise cost.

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securities industries. Derivatives: por

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five years. Contane Redone

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regulation, form of securities.

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Ashdown, Bill Jordan, David Simon,

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s the impact of uncertainty. Markov

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charged with designing and implementing
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Optimisation - to maximise profit or & public sectors have already attended. Contact: Richard Parris, Vertical Sys Intercade Ltd Tel: +44-455-250266 (24 hours) Fax: +44-455-890821

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Contact: Conagh Goodman,
Waterfront Conference Co

Tal; +44 (0) 171 730 0410 Fax: +44 (0) 171 730 0460 LONDON NOVEMBER 24/25 by John Finnphys, shows how to transfer Key business processes to deliver co-efficiencies and market differentiation (Optional workshop on second day).
Contact: Belinda Rogerson, CBI Confer
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Tel 071 917 9988

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Major International conference on global
emerging debt and equity markets looking
at CIS, Eastern Europe, Africa, the
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allocators and emerging markets specialists.

Contact: Alison Elgar, Dow Jones Telerate Ltd Tel: 071 832 9532 Fax: 071 353 2791 LONDON NOVEMBER 29-30

Managing Corporate Fransformation: The UK's premier event on planning, implementing and sustaining organisational and cultural change. This two-day conference includes frank discussion of why so many initiatives fail and explores proven methods for achieving critical buy-in and support for new organisation structures and working prac Contact: Business Intelliger

Tel: 081-543 6565 Fax: 081-544 9020 NOVEMBER 29 & 30 Data Warehousing: Practical Experience and Lessons for

Building the smart corporation, driving effective business process reengineering projects, unlocking the most valuable of corporate assets. Learn bow many of the world's most connetitive comorate players have used the data warehouse concept to achieve a strategic corporate advantage.

Contact: Unicom Seminars

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Advice on architectural alternatives, products/mole, middleware and which

Medium Sized Companies
- Practical Goldance and Solutions. A one day seminar. Chared by Paddy Walker, Advice on a relatectural atternatives, products/tools, middleware, and which standards are important for the future. Draws on a wealth of experience from real-life user sites where important lessons have been learned for achieving moreeffective solutions in the future. Contact Unicom Seminars, 0895 256 484, fax 0895 813 095

NOVEMBER 29-30

Accounting and Taxation for Derivatives This conference considers the IASC international accounting draft standard, the internal accounting tree lment and financial reporting of derivatives, topics include hedge accounting, derivatives valuation, risk management and trading accounting support. Speakers include the Hon. Christopher Sharples (SFA) and David Damant (CSAM)

For more information or to register, call Ambrose at AIC Conferences on Amorose at AIC Conferences on Tel: (071) 8275988 Fax: (071) 2422320. LONDON

NOVEMBER 30

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The Strategic Option
Adopting a partnership sourcing approach
enables businesses to achieve world class enables businesses to achieve world class capability and competitiveness. Partnership Sourcing Limited, a joint CBI/DTI indusive to promote the concept of long-term relationships between companies and their suppliers, is holding a one-day conference in London. Speakers with experience in Implementing the concept, such as ICL. SmithKline Beecham and The Post Office. Contact: David Kekwick, Ark Conference Tel: 071 731 8652 Fax: 071 731 3572.

LONDON DECEMBER 1 City Regulation - A Legal Evolution

This conference will debate the development and future of financial development and tuture of timencial regulation in the UK. The growing use of civil law procedures, regulatory intervention, and reduction in criminal sanctions - define a legal evolution at the interface of the criminal, civil and

ulatory disciplines. resors: Butterworths Publishers Management
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For scrior managers concerned about how
they manage personally the difficult manage personally the difficult balances between value and results involved in today's organisations. Also with Andrew Poster, Martin Mays-Smith, Greg Paraton, Charles Pollard and Barabeas Yomeo. Barabara Young.
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DECEMBER 6-7
Adding Value with Index
Products BARRA's London seminar focuses on key areas of indexation research, including new techniques for index tracking, index enhancement using derivatives, and esset allocation over multiple indices. Topics include dynamic index Iracking under transaction costs and hedge fund

strategies. Contact: Christine Smith, BARRA International Limited
Tel: 071 283 2255 Fac: 071 220 7555
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DECEMBER 7-8
Succeeding with Teams:
pacies strategies for designing, implementing
and driving the team-based organisation. An
immunitional two-day conference specifically ned to help senior executives under pulamental issues involved in desig and implementing a team-based organ Contact: Business Intelligence Tel: 081-543 6565 Fax: 081-544 9020

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Air Quality
Conference examining trends & problems
in air quality and the possible solutions.
Speakers include: Steven Norris MP, and
representatives from Royal commission on
Environmental Pollution, CES Led, Shell
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Airways & Schiphol Airport.
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Tel: +54 CO. Tel: +44 (0) 171 730 0410 Fax: +44 (0) 171 730 0460

LONDON DECEMBER 8 - 9 Opportunities and Competition for Building Societies

Strategies and actions for improving Building Society business performance and market share. Presentations on general insurance medicane market share. Presentations on general insurance, mortgages, value management, customer loyalty, database segmentation, distribution channels and intermediaries. Speakers are drawn from senior management of the Halifax, Alliance and Leicester, the Woolwich, Bradford and Editation, Nationwide, Chelsea, Portman and Leeds Permanent. Contact: Simone Wills Tel: 071 242 1548, AIC Conferences

LONDON

DECEMBER 12-14 Expert Systems '94 14th Annual Conference of the British 14th Annual Conference of the British Computer Society, Specialist Group on Expert Systems. Opening Keynote by Professor Peter Cochrane, Head of Core Technologies Research, BT. Technical Keynote by Professor Derek Steeman, University of Aberdeen. Both technical and supplications aspects covered in detail and supported by 4 independent natorials. Further information from Kit Stores.

CAMBRIDGE DECEMBER 14-15

DECEMBER 14-15
Occupational Pensions
Be brought up to date on all the practical implications of UK government and EC regulations. Each presentation will deal with what pension funds actually need to do, when they need to do it and how much it will cost. For pensions fund manager, trustee or professional adviser it is an important opportunity to bring your knowledge up to date.
Contact: Simon Wills, Tel: 071 242 1548
AIC Conferences

LONDON EXHIBITION OCTOBER 7-9

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The UK's only national exhibition for small-medium business. Emergines represents the forum for the fastest growing sector in the UK-SEMs. The exhibition is sponsored by Parcelforce and has over 150 companies. Parcelforce and has over 150 compas computing, finance, training, banking, franchising, commercial represented from industries including. manchising, commercial property, cateri transportation and telecommunication Advance tickets: 081 982 6600 Contact: Julian Fisher, Enterpris

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MARCH 1-3
Asian Companies EXPO
This emirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.

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Tel: +44 (II) 1895 625194

Fax: +44 (0) 1895 624447 EARLS COURT, LONDON INTERNATIONAL OCTOBER 10/11
The Private Banking Challenge:
Survival or Success
Designed for senior bankers responsible for
private client business and chaired by
Rassell Taylor, author of Private Banking
Renalssance, this international conference considers ways to meet client service requirements while maintaining

OCTOBER 18 - 19 Kalzen - from concept Kalzen - from concept to practice A Seminar and Workshop for component suppliers to the European consumer electronics industry hosted by the Electronic Industries Association of Japan and the European Association of Consumer Electronics Manufacturers.
Guest speaker: Mr. Massuski Imai, author of 'Kalzen, THE KEY TO JAPAN'S COMPETITIVE SUCCESS'
Cost: Na Charge. Sponsored by the European Commission. European Commission. Contact: Sinéad Gillen, ICEL Tel: +32 2 2387802/38/13 Fax: +32 2 2387716

BRUSSELS OCTOBER 19 & 20

OCTOBER 19 & 20
Dealing with Rights
Intellectual Property Rights must be properly dealt with if they are to confer hoped for benefits upon their rightful owners. An international panel of intellectual property managers and lawyers examine the problems owners face in handling rights and in portfolio management. Further details from international Professional Conferences Ltd.
Tel: 061 445 8623 FRANKFURT

Company meetings are arrival general meetings unless otherwise stated (Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to

OCTOBER 20-21

Windows in Finance Conference & Exhibition

Tel: +49 (0) 69 17 25 25

Bill Gates, Chairman of Microsoft Corporation will give the keynote address at this major event designed to update you on the latest developments in Windows based solutions for retail and wholesale banking and capital markets. Leading vendors will be demon most up to date products and services. Contact: Sabine Lentzch GmbH -

FRANKFURT **OCTOBER 25 & 26** EC Business Regulation

Everyone concerned with international business transactions must be aware of the EC Business Regulation and its increasing influence on the way we transact business. This conference will provide an insight and a summary of current regulations and practice, also future EU policy.
Further details from International nai Conferences Ltd. Tel: 061 445 8623

BRUSSELS

OCTOBER 26 & 27 FT india's Economic Renals This high-level FT conference will provide a unique opportunity to review the ent's liberalisation programme and assess future prospects for business and investment. Enquiries: Financial Times

Tel: 081 673 9000 Fax: 081 673 1335

DELHI OCTOBER 26 Advanced Software Applications to Banking, Finance and insurance Seminar for business and technical managers showing use of practical applications of ing software in linance. and Italian financial institutions present state-of-the-art systems. Includes panel discussion and vendor displays. Contact:

(Italy) Cristina Ruggieri. Tel: 051 521 285 (International) Al Roth, Tel: +14 253 358081 NOVEMBER 8-9 European Union Ald for Development Conference projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurer

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es, and doing business with India. Conference Secretariat, ICC Paris

Profit without Pain How far can I copy or en products before I step across the line of products before 1 step series the line of legality? Why is apparent copying widespread and tolerated in some industries but not others? Leading Law Practices will give their opinious on these matters. Further details from International Professional Tel: 061 445 8623

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CENEVA MARCH 27-29 1995 "Sub-Seharan Oli & Minerals"

Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation: Soumgol; and Europe Energy Environated. Speakers include Cobinet Musisers from over 25 African countries. Please contact Hurope Energy Environment, 3 Hayne Street, London BCIA 9HH.

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It has been a pretty lousy year for conventional investors. Bond markets have collapsed: equities, as measured by the FT-A World Index, are up just 5 per cent. Even gold has gone nowhere, having started the year at \$391 an ounce and risen to just \$396. The vexing exception has been commodities; not oil or precious metals, but boring old copper, rubber and soyabeans. The Economist commodity index is up some 40

per cent since January. The smart fund manager would not have spent his time shuffling paper assets. He would have rented a warehouse on the Rotterdam docks and filled it to the roof. Commodities are mostly regarded these days less as an opportunity than a threat. They are a harbinger of infla-tion, and thus bad news for other types of asset. Given the historical evidence, this is not unreasonable. The bond markets are a distinctly fallible

ities, on the other hand, are not so much a guide to inflation as a component of it. How big a component is another matter. As the accompanying charts remind us, there have been three surges in world inflation since the

Its economy grew at an aver-

age annual rate of 9 per cent

its past financial year.

But when it comes to man-

China*, produced by an IMF

staff team under Morris Gold-

stein, deputy director of the

Fund's research denartment.

has found that the Chinese

moved ahead a step at a time.

They introduced capital mar-

kets on an experimental basis,

hoping to learn from experi-

ence, and made sure that

change came gradually and

While the development of

Chinese capital markets is

still in its early stages, the study predicts that their

growth "will rank as one of

the important financial events

The Fund suggests that Chi-

na's experience could have

some lessons for other coun-

tries making the difficult

transformation from commu-

nist state planning to a mar-

More important, the IMF

believes China is gaining

many advantages from capital

market development. More is

involved than simply raising

finance. China's emerging capital markets are "best viewed

as part of the cutting edge of

FT-ACTUARIES WORLD INDICES

US %chg Pound Dollar since Sterling Index 31/12/93 index

incrementally.

of the 1990s."

ket economy.

NATIONAL AND REGIONAL MARKETS

Austria (16) Belgium (37)

Germany (58) Hong Kong (56) Ireland (14)

Japan (469) ... Mateysia (97) ... Mexico (18) ...

Norwey (23) Singapore (44) South Africa (59)

Spain (42) Swoden (36) Switzerland (47)

EUROPE (717) ...

Europe Ex. UK (513)

Pacific Ex. Japan (279) World Ex. US (1645) World Ex. UK (1957)

China and you

are thinking

in superlatives. It is the

populous

country, with

1.2bn people.

guide to future inflation; some-

times they overplay it, some-

times underplay it, sometimes

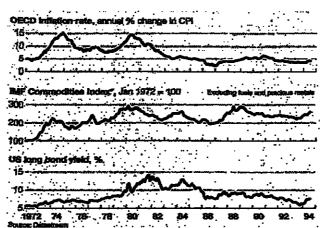
get it wrong entirely. Commod-

The Global Investor / Tony Jackson

Commodities: the vexing exception

and 1987-90. In each case commodities (measured by the IMF index, which gives a longer series) started moving several months in advance. But there were also two subsidiary blips in inflation, in 1976-77 and 1983-84. In each case the commodities index jumped sharply, even though the underlying trend in inflation was still downwards. The 40 per cent rise in the Economist index thus poses an obvious question: is it forecasting a surge or a blip?

In one important sense, this rise is abnormal. It began not at the start of the year, but the previous spring. Despite that, the rise in retail prices in the developed world is still subdued and uncertain. This implies an historically unusual reluctance by consumers to pay higher prices. Several reasons can be advanced for this: in particular, the revolution in working practices through-out the developed world, which has created an unprecedented sense of job insecurity and unable to charge more for



at all levels of society. Whatever the cause, this phenomenon implies in turn a squeeze on manufacturers' profit margins. There is anecdotal support for this: the tyre manufacturer able to raise prices by only 5 per cent in the face of a soaring rubber price, the food company faced with a 50 per cent rise in the nut price

a packet of roasted peanuts, and - at the lunatic end of the scale - UK newspaper proprietors slashing their prices in response to a jump in the cost of newsprint.

This situation can only be finally resolved in one of two ways: either consumers agree to pay more, or manufacturers are forced to pay less. If the former, central bankers will be

mushroomed in recent years.

Issues and issuers have

become more varied. Finan-

cial futures have been intro-duced over the past two years. In 1991, the most recent year

for which figures are avail-

able, issues of bonds by finan-

cial institutions and enter-

But the IMF reports that the authorities have followed

rather than led this feverish

activity. Official approval for

the issue of securities by

enterprises was only given

after many had issued securi-

ties on their own initiative.

Similarly, securities were traded on the Shanghai and

prises soared.

confirmed in their suspicions of reviving inflation and will jack up interest rates. So much the worse for commodities as a non-interest bearing investment. If the latter, so much the worse for commodities again.

Total return in local currency to 29/9/94

0.05 ·

0.09

The choice between these two options cannot easily be resolved. Indeed, it might be termed the dominant theme for investment in the mid 1990s.

The original upsurge of infla-tion in the developed world can be set down to various causes: the Vietnam war, the collapse of Bretton Woods, the

0.8 -3.1 12.3

first oil shock of 1973. There is no clear explanation of why inflation should then have remained endemic for over 20 years.

Without knowing why the

fident that it has gone away. Let us suppose that the dragon of inflation is indeed

loose again. In that case, commodities might be expected to do well in the short run. But since they have done spectacularly well now for 18 months, it is worth recalling their record over the

Since the beginnings of inflation in the early 1970s, retail prices worldwide have gone up fivefold and commodities

threefold. Equities have gone up by a factor of six: they have also, of course, provided an inflation-

proof stream of income in the form of dividends. The fact that commodities have done so dismally com-

pared to equities is hardly sur-

The whole thrust of advanced economies is away from basic materials and towards services and added value. First IBM overhauls US Steel, then Microsoft overhauls IBM. In the whole scheme of

things, raw materials are becoming less and less impor-tant. This in itself should stand as a warning to investors.

Commodities may lag behind the world economy in their sum of value, but global savings do not. It follows that as a home for investment, commodities become progressively less and less liquid: and that any attempt by investors to switch into them in size is more and more likely to lead to speculative excess. How far this is happening

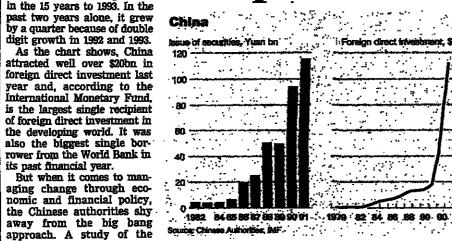
now is not easy to determine. Even manufacturers, who buy commodities for their primary purpose of consumption, can only talk anecdotally about a degree of speculative pressure. But an unusual shift of portfolio funds into commodities in the past year would go some way to explaining the apparent paradox whereby commodity producers have been able to push through price increases which their customers know

they cannot pass on.
With or without the return of inflation, this suggests that rather a risky bubble may have developed in the commodities markets.

Only last week Goldman Sachs, the all-powerful US investment bank, sent a bull-ish circular to its clients enti-

Economics Notebook

The Chinese superlative



the reform process," the Fund nised stock exchange only

Securities markets can provide China with a means to absorb international financial techniques and practices. The listing of a company's stock on an exchange helps good corporate governance by creating a system of discipline for companies that is indepen-

opened in Shangbai in December 1990, the IMF reports that the value of equities listed on the Shanghai and Shenzen stock exchanges had reached \$40bn at the end of last year equivalent in value to the Argentine or Turkish markets. In October last year, a Chinese company was listed

The IMF attitude seems to be that 'it may look funny but it works'

Jointly complied by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

-6.3 3.62 -10.8 1.08 -10.8 1.08 -10.8 1.08 -10.2 1.08 -10.2 1.43 -10.7 -10.7 -10.7 1.22 -12.1 1.85 -19.9 3.45 -11.4 1.58 8.8 0.77 -10.0 1.52 -1.8 3.47 -1.2 1.63 -1.2 2.1 -1.3 1.63 -1.5 2.88

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MBER 30 1984

Local Local % Gross
DM Currency chg from Div.
Index index 31/12/93 Yield

137.56 153.28 148.67 148.60 132.81 129.62 111.56 134.36 202.15 207.45 144.63 137.57

dent of bureaucrats. The development of securities markets can speed deregulation by increasing pressure for decontrol in other areas of finance. For example, once savers get used to market-determined yields through equity investment, there will be pressure to boost the rates of return on other assets.

The spread of equity in China has been rapid.
Although the first recog-

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on the New York Stock Exchange for the first time. More than 4,000 companies are said to have issued unlisted shares that are traded informally in kerb markets in Chi-

nese cities. Equities are only a small part of the China's capital market renaissance, however. The chart shows how new issues of all securities, including bonds, certificates of

Shenzen stock exchanges long before they were officially opened in 1990 and 1991. It might be thought that the Fund would react with some horror to this state of affairs. But instead, the attitude of the report seems be that "It

may look funny but it works". The IMF clearly sympathises with recent temporary retrenchments in the process of liberalisation after activity in China's financial markets ran ahead of the authorities' intentions.

It even gives qualified approval to the practice of the Chinese authorities of picking which companies will issue on regulated exchanges. This looks a funny way to create a market-based economy, but the Fund is willing to tolerate the system so long as the authorities are not motivated by non-economic issues such as the desire to spread listings geographically.

Indeed, the Fund's detailed analysis of China's emerging capital markets may tell us as much about the IMF as about China. It shows that the IMF's pin-striped economists can be pragmatists after all.

Peter Norman

In International Capital Markets: Developments, Prospecis and Policy Issues, Sep-tember 1994, \$20 from IMF Publication Services, 700 19th Street, NW, Washington, DC

US Pound Local
Dollar Storling Yen DNI Currency 52 week 52 week
Index Index Index Index Index High Low

Rubber pact flexibility needed

Rubber producers will be looking for concessions from consumers as the latest round of talks on a new International Natural Rubber Agreement get under way in Geneva today.

Representatives of Thailand, Indonesia and Malaysia, which produce more than 80 per cent of the world's rubber, told the Reuters news agency last week that consumers would need to make compromises to ensure a new pact was successfully con-

ducers said that they were cautiously optimistic that the twoweek meeting, under the aegis of the UN Conference on Trade and Development, would be

The world's three top prothem the chance that this pact cents a kilogram level it was might fail later."

European rubber consuming countries said meanwhile that they supported plans for a new pact but warned that they had limited room for compromise. "Everybody wants to finish." a consumer delegate told Reuters, ". . . the issues are very simple. But we won't make any concessions that bear in

Inra aims to stabilise rubber

ing system.

Following a recent surge to 61/2-year highs on increased Chinese demand, cuts in Thai and Malaysian supplies and speculative buying, producers are calling for the reference price, which controls the levels at which the buffer stock manager can buy or sell, to be

raised by 5 to 12 per cent from

the 196.84 Malaysian/Singapore

But consumers say the rise, prices through the operation of if any, should be no more than a buffer stock buying and sell-4 per cent. "[Support] Prices have to move with the long-term trend, one said. A commodity trade expert commented: "Delegates are

fixed at in February 1993.

always influenced by the recent prices, but they should really be looking to the period 1996 onwards for five or seven years . . . That is the relevant period they are trying to stabi-lise and they will have to justify their results at home."

ALCATEL ALSTHOM

At a meeting chaired by Pierre Suard, the Board of Directors of Alcatel Alsthom, the Paris based telecommunications. power and transport equipment group, examined the group's audited report of activities and financial statements for the first half 1994.

1994 first half Net results: FF 2 billion Working capital provided by operations: FF 6.1 billion

The year 1994 has proved to be more difficult than was announced last January, despite the increase in the group's market share in Telecommunications, especially in the United States and in Asia; today, the outlook for the year 1995 is better.

First half 1994	First half 1993	Full year 1993
78,079	73,628	156,334
4,376	5,940	14,278
2,022	· 3,006	7,062
6,085	6,832	13,600
	1994 78,079 4,376 2,022	1994 1993 78,079 73,628 4,376 5,940 2,022 3,006

First Half 1994 net sales increased to FF 78.1 billion over the corresponding period in 1993. At a constant structure and excluding exchange rate fluctuations, the increase was 1%. This evolution is due, on one hand, to a weakening of sales in the Telecommunications sector resulting from the deregulation of the markets and the continuing economic recession in key countries where the group has major subsidiaries and, on the other hand, to a sustained growth of invoicing in the Energy and Transport sector which benefits from a healthy order backlog, as well as in the Battery sector which is the first to profit from the economic recovery. Income from operations after financing amounted to FF 4.4 billion compared to FF 5.9 billion in the corresponding period in 1993.

This decline is due to several factors:

- The significant difficulties experienced by Alcatel SEL in Germany. In addition to the sharp fall in equipment orders, the German subsidiary has suffured from a dramatic drop in prices and incurred higher software development costs.
- · Exceptional losses in the telecommunications subsidiaries in Turkey and Brazil.
- The increase in the interest charges relating to the financing of external growth as well as the lower financial income due to the evolution of interest rates from one period to the other.

Net income amounted to FF 2 billion compared to FF 3 billion for the same period in 1993. For the first half 1994, Working capital provided by operations amounted to FF 6.1 billion against FF 6.8 billion in the first half 1993.

Outlook

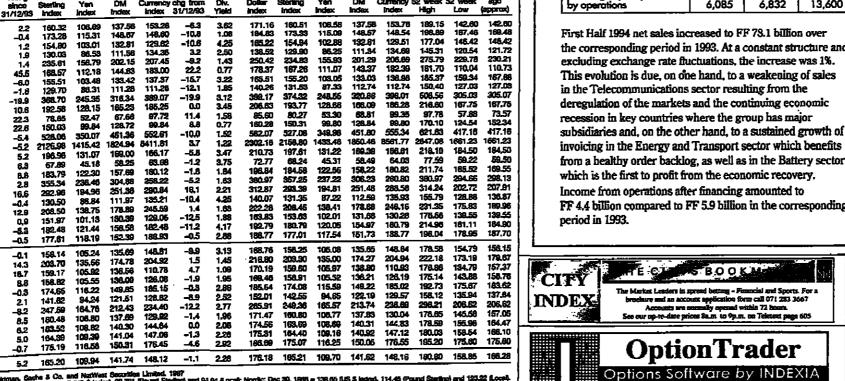
The group has taken active measures to turn around the profitability of its German subsidiary. Alcatel SEL has announced the reorganization of its production activities and a reduction of more than 20% of its workforce between now and the end of 1995. One half of this reduction will be accomplished before the end of this year.

Nevertheless, these measures and the economic recovery beginning in Europe will not have an immediate impact on the group's performance and it is expected that the results for the second half 1994 will be at the same level as those registered in June 1994. However, Working capital provided by operations should be around FF 12 billion for the full year 1994.

Beyond 1994, the technological advances and the gains in market shares, particularly in the United States and Asia. enable the group to forecast that the coming years will be better, which is in accordance with previous indications.

The payment of the 1993 dividend in share form resulted in the creation of 2,897,546 new shares. Following bond conversions and stock options between January 1 and August 31, 1994, Alcatel Alsthom's share capital at August 31, 1994 stood at 146,544,732, eligible for dividends from January 1, 1994.

The Board of Directors extended the subscription period until June 1995 for the capital increase reserved for employees, which was decided at the Board meeting on April 6, 1994, at a subscription price of FF 565 per share.



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Currency or Bond Fax - FREE 2 week trial also daily gold and silver faxes ISO GOTHY GOTH om Chart Analysis Ltd Swullow Street, London WTR 7MD, UK -schunge rute appetialists for over 20 years.

The Emerging Investor / Canute James

Fillip for Caribbean cross-border trade

Cross-border trading in the Caribbean, which has been sluggish since it started in 1991, should get some encouragement from the decision of CIBC (Canada), the commercial banking group, to offer for sale 45m shares in CIBC West Indies Holdings, its Caribbean subsidiary.

The offer, which opened on Monday September 19, will close on Thursday October 6. and is valued at \$24.5m.

The hopes for increased cross-border trading have been raised by the decision of CIBC to make the share offer simultaneously in six Caribbean countries - Antigua, Barbados, Jamaica, St Lucia, St Vincent and Trinidad and Tobago. The shares will be listed on the three Caribbean Community (Caricom) stock exchanges in Barbados, Jamaica and Trinidad. It is these three which are at the core of the nascent

regional stock market. This is a move in the righ direction," says Mr Wain Iton

Yapi Ve Kredi Bankasi Eregii Demir Ve Celik

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manager of the Jamaica Stock Exchange. "It is the first genu-inely regional public offer. We may not get the robust crossborder trading that we all wish for, but it sets the stage for other companies in the region to recognise that an entire capital market in the region is available "

This assessment is shared by Mr Hugh Edwards, manager of the Trinidad and Tobago Stock Exchange. "With CIBC coming to the market with an offer spread out over six Caribbean countries." he says, "this should add some impetus to the countries without stock exchanges to begin buying and selling shares."

Cross-border trading is part of a wider effort by the memhers of the Caribbean Community to integrate their economies and prepare the ground for a planned common market and monetary union. "This

ove in the Mr Wa	ies for similar			
Ten be	st perform	ing stoc	ks	
	Country	Friday 30/9/94	Week on wee S	k change %
ankasi	Turkey	0.0920	0.0256	38.46
Ceffk	Turkey	0.0877	0.0196	28.72
•	Turkey	0.2659	0.0409	18.18
	S.Korea	22.9122	2.8549	14.23
si	Turkev	0.2542	0.0263	11.54

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placements simultaneously in several Caribbean states," says Mr Basil Buck, president of Buck Securities. Jamaican stockbrokers. "There are many companies which are well placed to do this, with subsidiaries and branches in several

Caribbean states. "The CIBC offer will also stimulate the efforts at crossborder trading which has been in the doldrums for many months," adds Mr Buck. Caribbean brokers have argued repeatedly that there is potential for vibrant cross-border trading and the develop-ment of the regional stock

exchange: the three markets list an aggregate of 110 companies with a combined capitalisation of \$2.41bn. They have also suggested that closer ties be established with the exchange in the Dominican Republic. Guyana is planning to establish a stock market, as is the Organisation

of Eastern Caribbean States, a

grouping of seven islands with a common currency The offer by CIBC (Canada) represents about a quarter of the shares of its Caribbean subsidiary, which is incorpo-rated in Barbados and which is the holding company for the bank's operations in Barbados and other islands in the eastern Caribbean.

It also has a marginal majority stake in CIBC Jamaica and a 4 per cent holding in Republic Bank, the largest in Trinidad and Tobago. CIBC's Rehemien husiness is soon to Cross-border volume (m units)

be managed by CIBC West Indies Holdings. "The Caribbean is a very thin market with a lot of cash and very little to invest in." says Mr Shastrie Ablack, managing director of CIBC West Indies Holdings. A minimum sale volume of 30m shares will make the offer a successful one, he adds.

Hopes for a more active cross-border market have been depressed by periods of economic difficulty and uncertainty in some Caribbean economies. A very volatile foreign exchange market in Jamaica and high inflation which has affected the financial services market (there is currently no activity in the bond market). accompanied by currency instability, have compounded changes in exchange rates in Trinidad and Tobago and rumours of an impending devaluation in Barbados.

The majority of individual investors in Caribbean stocks and some small institutional ones as well, tend to use their shares as longer term investments rather than looking for opportunities for buying and selling, consequently reducing the vibrancy of the regional markets, according to brokers. "The success of this offer

will determine the degree of vitality it will add to cross-border trading, and there is at least one other company which is watching this and which is likely to make an offer spread

■ Thailand

The Stock Exchange of Thailand has awarded new brokerage seats to four companies which were previously sub-brokers: the upgrading of Jardine Fleming Thanakom, Nithiphat, Ekachart and Prime brings the total number of full brokers to 44, writes Victor Mallet in

Each new broking company is obliged to pay Bt300m (\$12m) for the seat, a price regarded as high by international standards. The government eays that it wants to liberalise stockbroking in Thailand and the SET expects to admit a urther six members in 1995.

LatInvest

Latinvest, the specialist Latin American securities house set up two years ago, is expanding into the US by acquiring the New York subsidiary of its majority Mexican shareholder Invermexico, urites Stephen

Banco Bozano Simonsen, its Brazilian shareholder, has injected \$1m of capital to keep its stake at 12 per cent, while management's stake was diluted from 28 per cent to 21.5 per cent by the transaction. Latinvest, its capital now standing at \$25m with retained earnings, is also negotiating with a prospective Argentine

Hungary

World (301)

Thalland (25)

Latin America

The Budapest Stock Exchange is to increase its disclosure requirements from next year. writes Virginia Marsh. From January, quoted companies

News round-up

will have to present consolidated accounts to the BSE. Listed companies will have to report within 45 days of the end of the quarter, while traded companies will have to report half-yearly rather than quarterly as at present.

Companies will have to report comparative figures for the previous year and provide an analysis of their forecasts and results, including sales and profit. The move is designed to bring the BSE closer to European norms.

Brazil

Mr Ciro Gomes. Brazil's Economy Minister, said that the government had the means to slow the flow of foreign capital to local markets, but preferred not to comment whether any action of the sort was being considered

Investors in Brazilian markets are concerned over the possibility that the government may raise a flat tax on investments directed to the stock market and fixed-income instruments

Philippines The Philippine Stock Exchange

-0.99

-1.63

+2.96

-2.80

-28.25

-1.90

is to block backdoor entries by

stringent listing requirements, said Mr Eduardo Delos Angeles, the PSE chairman. He added that South-east Asian stock exchanges are finalising plans to exchange

companies trying to avoid

information as part of a battle to stamp out insider trading. Exchange officials plan to meet in South Korea in November to work out a mechanism for exchanging information following a rise in intra-regional investment.

Y - 😘

■ Morocco

Morocco is soon to sell off its stakes in five entreprises with a total turnover of 3.85bn dirhams (\$438.4m), the Privatisation Ministry said.

The state has between 35 and 99 per cent of the five groups -Banque Marocaine du Commerce Exterieur (BMCE) the Simef diesel and electric motor maker, the Sonasid steel mill, the Somas oil company and Sochepresse publication distributor.

Since January, 12 state-owned enterprises have been sold off, officials said.

 Emerging markets coverage appears daily on the World Stock Markets page

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CURRENCIES

tan State Oil Company

Payroll figures hold the key to rates

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The start of this week's trading on the foreign exchange markets is likely to be dominated by reaction to Saturday's partial deal on US-Japan trade talks. But by the end of the week, attention will turn to Friday's US non-farm payroll figures, which some feel may push the Federal Reserve into increasing interest rates.

Although the dollar responded well on Friday to rumours of a trade deal, analysts do not expect the US currency to gain much in the long term from a partial agreement. Economic fundamen tals will have a greater impact on the Japan trade surplus, which many believe is the reason for the continued strength of the yen.

FT GUIDE TO WORLD CURRENCIES

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The non-farm payroll numbers are expected to be strong, with a Reuters poll of economists showing an increase of 250,000 in September, accompanied by a drop in the unemployment rate to

10.11

The latter figure is seen by some academic economists as equivalent to full employment" and accordingly analysts believe the numbers may underpin a tightening of policy by the Fed, which decided not to raise rates last

Friday's numbers, attention will switch to next week's producer and consumer prices data. Even if the Fed does raise rates, how-

If the Fed does not raise rates after

ever, it is far from clear that this will be beneficial for the dollar. Exchange rate movements this year seem to have been governed by trends in the bond market, rather than short rates.

To date, the Fed's tightening moves have shown little sign of convincing bond investors that the inflation threat has been eradicated.

The dollar may have some scope to strengthen against the D-Mark in the run-up to the October 16 German general election. Traders will concentrate on the prospects for Chancellor Kohl's coalition partner, the FDP, which is struggling to get the 5 per cent it needs to return to Parlia-

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Sterling was on the sidelines for much of last week and this week's economic data is unlikely to have much of an impact on the pound, analysts say. However, Mr Avinash Persaud, head of currency research at JP Morgan (Europe) thinks the pound is due for a

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over a similar area," says Mr

CIBC West Indies Holdings

offer will be able to indulge in

arbitrage on the secondary

market by, for example, buying

low in Trinidad and selling

high in Jamaica Prices on the

three markets may not always

The effort at cross-border

trading is still bedevilled, how-

ever, by problems in the man-

ner and speed of settlements.

Since none of the currencies

used by the three exchanges is

convertible, settlements are

being done through what Mr

"We are settling in US dol-

lars through a third party in

New York." he explained.

"There is, however, the pros-

pect of us using the network of

Iton describes as "a cost ineffi

Regional investors in the

period of strength. "By raising base rates by half a point on September 12, well ahead of a deterioration of either the trade account or inflation, the UK authorities have broken with the pattern of the past and severed the comparison with US mone tary policy," he says.

Mr Persaud expects the pound to break through the \$1.50 level by the end

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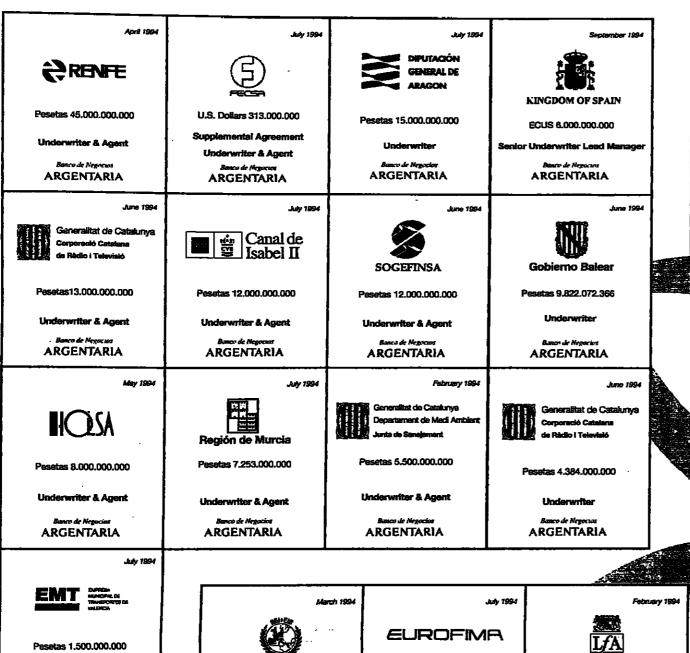
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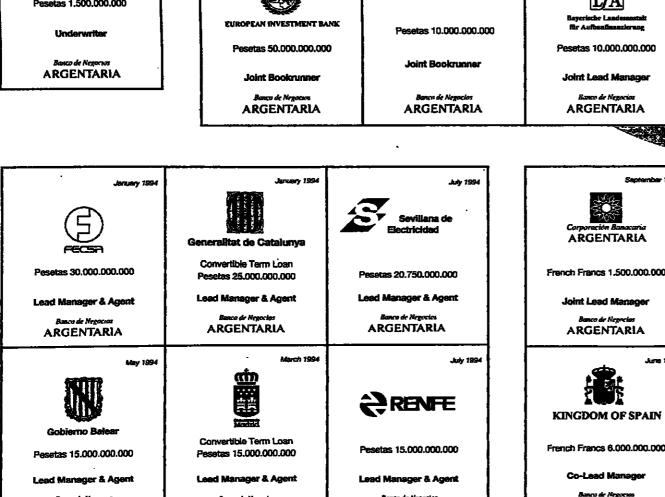


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U.S. Dollars 233.618.065

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NEW YORK

WORLD BOND MARKETS: This Week

Gillian Tett

Economic data due in the coming days will determine whether the Federal Reserve was right not to raise interest rates again last week, or whether it has taken too

sanguine a view on inflation. September's employment report, which is due on Friday, is widely expected to show a pick-up in employment growth from the relatively low level of

August. However, at a predicted 230,000 to 300,000, the increase in non-farm payrolls may not be the figure the bond market watches most closely.

A fall in the unemployment rate to below 6 per cent (it was 6.1 per cent in August) would prove more damaging to fixed income prices.

Among other figures the markets will have to chew on this week will be September's NAPM index, published today. After the decline in August to 56.2, this barometer of purchasing managers' activity is expected to bounce back to anything from 56.5 to 57.

Benchmark yield curve (%)* * Month ago === 10 years 20

Richard Waters

Evidence of faster economic growth would suggest that the Federal Reserve was wrong not to act pre-emptively to raise rates, and leave it in the unenviable position of having to act ahead of its next policy-making meeting, in November.

However, at 7.8 per cent - up from around 7.4 per cent a month ago - the yield on long-dated bonds may already have anticipated much of the bad news.

in spite of the recent volatility in the European and US financial markets, gilts maintained a relatively firm tone last week, shrugging off

LONDON

many of the broader swings in the UK equities and futures markets. Many analysts expect this trend to continue this "It's likely to be a week of

consolidation," says Ms Katy Peters, senior economist at Daiwa Europe. She points out that in the

last week a stronger trend in the German bund market coupled with a successful gilt auction has supported the market slightly. "The supply side story has been unwinding and that is helping it a bit," she adds.

Mr Simon Briscoe of S.G. Warburg says: "The recent switching into gilts from equities hints at gr A underlying derr ...d. In the absence of the release of any important domestic data

Benchmark vield curve (%)* 9,00 8,00 7.00 6.00 20

markets is any aftermath from the Japanese US trade

Some dealers fear that the compromise hammered out in the talks could yet unravel. triggering a fresh bout of international bond market instability. However on the domestic

side, the M0 money supply data today, and output figures later this week are not expected to have a strong

FRANKFURT

The election effect, which prompted a sharp correction in the Frankfurt stock market last week, with a clear knock-on into bonds on Friday, is expected to dominate sentiment in the German financial markets, at least until the federal polls on

October 16. If future opinion samplings confirm the tendency thrown up by the latest Forsa survey, which was published on Friday and showed the Social Democrat/Green alliance with the advantage, then market sentiment may be deeply

depressed. The Forsa results showed the liberal Free Democrats, junior partners in Chancellor Helmut Kohl's ruling coalition, with insufficient support to gain seats in the Bundestag. Politics apart, the usual

fundamental factors affecting bonds are continuing to improve. Provisional September inflation figures for west Germany showed prices behaving themselves.

TOKYO Christopher Parkes

10 yrs 20

A 2 per cent pay rise for clothing industry workers and

flexible working arrangements,

announced on Friday, was also

longer-term price perspective,

particularly depressed sector

August industrial output fell

sharply, because of unquantifiable holiday effects,

but confidence in the recovery

remains intact among most

industrial leaders.

and expectations were low.

encouraging for the

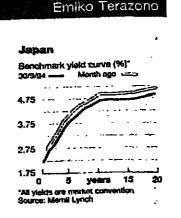
aithough textiles is a

Although bond prices were supported by lower short-term money market rates and the sluggish stock market in the first half of last week, earlier 85 -- - ---gains were eroded by the release of stronger than expected industrial production figures on Thursday.

This week, government bonds are expected to fluctuate in a narrow range. While weak stock prices and buying by public funds are likely to support the market. cautiousness over the speed of economic recovery is likely to weigh on prices.

Meanwhile, a stronger yen could briefly prop up investor confidence. The rejection of calls to stop the yen's further rise by Mr Masayoshi Takemura, the Japanese finance minister, by other countries at the Group of Seven summit last weekend, is likely to encourage buying of the currency.

Aside from keeping import inflation lower, a higher yen has negative implications for



corporate earnings, so may also hurt the stock market. Investment flow data for August, to be released this week with August current account figures, will provide some indication of the course of the yen. Foreign investors were net sellers of Japanese equities in July for the first time since June last year and are expected to have sustained the selling in August, which could cap the yen's appreciation.

Capital & Credit / Conner Middelmann

this week, one factor that

could potentially affect the

Denmark seen as better risk than Sweden

way, a major risk factor for Swedish and Danish government bonds has been removed. However, following the establishment of minority governments in both countries and ahead of the Finnish and Swedish referenda on European Union membership, these markets are likely to remain

volatile in coming months. Still, commitment to fiscal discipline by the new governments in both countries, accompanied by continued economic recovery, is likely to

support both markets in 1995. Of the two, Denmark is widely seen to offer better prospects. "Denmark's hard-core credentials are strong, but its bond yields are not in line with hard-core markets," says Mr Kit Juckes, international economist at S.G. Warburg Securities. "Of all the convergence trades in Europe, Danish bonds seem to have the most solid credentials.

With the budget deficit in decline, the economy growing steadily while inflation remains relatively subdued,

Denmark's "fundamental posttion would indicate an outperformance of bunds," agrees Mr Paul Donovan, analyst at UBS, Danish bond yields rose sharply this year, largely on fears that the country's stronger than expected growth

would fuel inflationary pres-sures. As a result, the yield spread over German bonds widened as far as 172 basis points in early September. It has narrowed considerably since then, however, partly due to rising German yields after strong economic data there,

and partly to a reassessment of Denmark's fundamentals. On Friday, the Danish 10-year benchmark bond yielded 9.03 per cent, some 140 basis points over its German equivalent.
"Denmark's position at the

vanguard of the European economic cycle has been supplanted," says Mr Juckes. economy is growing in line with those in the rest of hard-core Europe." He expects the Danish vield spread over Germany to converge to 100 basis points during the first The minority government is

also unlikely to be a problem, given that this form of government has become much the norm in Denmark. The centreleft coalition is expected to seek support on its economic policies from the right wing in parliament, and is unlikely to bow to pressure from the far-

left, analysts say. The main risk to the Danish market is likely to come from external sources. Despite the favourable domestic economic climate, uncertainty over Sweden's political situation and the post-election handling of Sweden's deficits may have a spill-over effect, warns Ms Cathy Savage, of Nomura.

"It also seems likely that, despite being firmly rooted within the EU itself, the uncertainty over whether Finland, Sweden and Norway will vote in favour of EU membership is having an impact as a background 'confidence' issue for Denmark," she adds. In Sweden, the outlook is

more murky and it may take a while before investors regain confidence in the bond market. Recent years have seen a sharp increase in the budget

deficit and public-sector debt, resulting largely from the country's deep recession. However, economic recovery and a package of spending cuts and tax rises announced by the Social Democrats are hoped to break the circle which has undermined the currency and

pushed yields higher this year.

Swedish 10-year yields rose to 12.05 per cent in August, from a low of 6.65 in January, with the spread over bunds widening as far as 494 hasis points. On Friday, the yield was back at 11.17 per cent and the spread stood at 354 basis points but analysts warn that the market will remain vulnerable to further setbacks in coming months.

'We're not very bullish on the market near-term - there is so much uncertainty," says Mr Allen Owie, senior analyst at Unibank Securities in Copenhagen.

On Friday, the government is due to unveil its economic policy programme; in mid-October, a new central-bank supervisory board and governor are to be appointed, creating uncertainty over the Riksbank's monetary policy stance; and in January the 1995 budget will be unveiled.

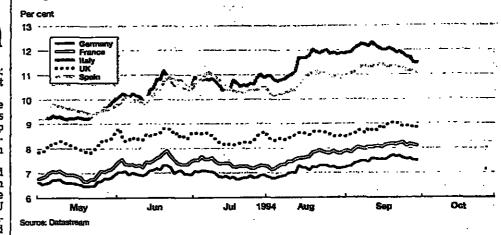
Before the budget debate heats up, however, Sweden's referendum on EU membership on November 13 will take centre stage, following the Finnish EU vote on October 16.

A positive EU vote would have a very positive effect on the bond market, Mr Owie says. "If Sweden agrees to EU membership, its economic policy framework will be dictated by external factors, which is very bullish in the longer

Another risk is a possible rating move by Moody's, the US agency. While Standard & Poor's recently affirmed its AA+ rating, fears of a downgrading by Moody's later in the year has scared the market.

If the EU referendum yields a "yes," Moody's leaves its Aa2 rating unchanged and the gov-ernment produces a fiscally austere budget package. Swedish bonds could be in for a rally in early 1995, Mr Donovan predicts. Until then, however, investors will be in for a bumpy ride.

10-year benchmark bond yields



INTEREST RATES AT A GLANCE							
	USA	Japan	Germany	France	Italy	uk	
Discount	4.00	1.75	4.50	6.40'	7,50	6.751	
Overnight	5.00	2.22	4,63	5.18	7.81	4.75	
Three month	4.79	2.25	5.06	5,50	8.43	5.75	
One year	5.95	2.58	5.58	6.27	9.81	7.31	
Five year	7.28	3.69	7.11	7.65	11.91	8.63	
Ten year	7.60	4.56	7.57	8.12	11.75	8.81 · ·	
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Dea	98-24	98-30	+0-08	99-05	98-16	412,847	394,650
Mar	98-04 -	98-08	+0-08	98-16	97-27	1,818	24,920
Jun	97-11	. 97-19	+0-08	97-23	97-07	854	10,754
					• • • • • • • • • • • • • • • • • • • •	. •	

Crédit Lyonnais 1994 first half results

September 27, 1994 under the chairmanship of Mr. Jean Peyrelevade to review the financial statements for the first half of 1994.

The first half of 1994 was again difficult, coming after the losses reported at the end of 1993.

Crédit Lyonnais registered an overall loss of FRF 3.9 billion for the first six months of the current year (Group's share of net loss: FRF 4.5 billion).

Recurring profits on Credit Lyonnais' ordinary operations have not been sufficient to offset the still very substantial burden imposed by exceptional situations. Operating income before provisions totaled FRF 5 billion.

On a consistent consolidation basis, this was down by almost 27% due to a 9.1% decline in net banking income, which was not counterbalanced by the reduction in general and administrative expenses (down 3.3% on a consistent consolidation basis). Whereas Altus Finance contributed a positive

FRF 676 million to consolidated operating income before provisions in June 1993, its contribution reduced the Group aggregate by FRF 700 million in the period under review, and by FRF 1.4 billion in the half-yearly comparison. Excluding Altus Finance, operating Income before provisions would have shown a decline of 4.2%. Net new provisions before changes in the Reserve for

General Banking Risks amount to FRF 10.1 billion, of which FRF 4.8 billion cover exposure to certain exceptional

I - Exceptional situations

Although no new sources of losses have emerged compared with the position at the end of last year, those that do remain have proved more extensive than forecast.

Credit Lyonnais has again been obliged to record a very large negative contribution by Altus Finance, and by the businesses and subsidiaries historically linked to it. Similarly, substantial additional provisions have had to be made on certain risks carried by banking subsidiaries found to have been suffering from inadequate control.

Overall, the impact of these subsidiaries on earnings represents FRF 5.4 billion in the income statement at June 30. Assets transferred from our Dutch subsidiary have necessitated more than FRF I billion in additional provisions. Despite Crédit Lyonnais' program of divestitures, the equity investment portfolio continued to represent a burden of FRF 1.1 billion on group earnings at June 30. Finally, a release of provisions on country risks brought

coverage of this category of exposure to 52% at June 30. 2 - Ordinary operations

Ordinary operations again made a positive contribution to earnings, although less so than initially forecast.

Operating income before provisions on commercial banking in France held up thanks to efforts to curb general

The Board of Directors of Crédit Lyonnais met on and administrative expenses, and to growing fee income, while intermediation margins declined. The cost of risk remained high, equivalent to the level for the second half

> Earnings on capital market activities were down significantly, compared with the exceptionally favorable figure for the first half of 1993.

> Earnings on international commercial banking were down slightly in comparison with the first half of 1993. This was primarily due to persistent difficulties in Spain and Portugal, and to the impact of devaluation of the CFA franc.

3 - Capital adequacy

Total assets are down slightly, as is the volume of weighted assets as defined in the European solvency ratio. The Group's solvency ratio stands at 8.1% following the rights issue placed with public-sector shareholders at the beginning of July 1994, and after including the half-yearly loss.

4 - Recovery plan

Measures taken under the recovery plan are now well in-hand and will be amplified:

- the reduction in Group general and administrative expenses works out at 3.3% on a consistent consolidation basis; the drive to boost productivity will be sustained over the full year and will be stepped up under actions planned for 1995;

- disposals amounted to FRF 6.8 billion at the beginning of August. If the markets rally to more normal levels, the divestiture program is expected to reach the amounts initially announced:

- organizational reforms have been introduced to improve management of banking risks, and a Central Treasury department has been set up, notably to supervise the Group's entire interest rate and foreign exchange risks;

- the Group's operating divisions have been reorganized in response to our central objective, which is to improve our customer services, necessary to produce a significant upturn in results, in particular, a Central Division for European Affairs has been set up to develop common strategies and bolster commercial synergies within the European network.

- Outlook

In the light of available information, the loss for the year is forecast to be smaller than in 1993.

The representatives of the French Government on the Board have reaffirmed the State's full support for Crédit Lyonnais in the pursuit of its turnaround, and the Board of Directors has been informed of the principles under which State support will be provided.

Crédit Lyonnais, meanwhile, will step up its existing efforts, within the framework of its recovery plan, to Improve its cash flow and hence its capacity to cover its

CE CREDIT LYONNAIS GROUP

International / Graham Bowley

Europe to remain in the doldrums

The dramatic reversal in sentiment in world government bond markets this year has had an equally dramatic impact on the pattern of new issuance in the eurobond mar-

While new issuance of fixedrate eurobonds and of eurobonds denominated in most European currencies has withered in this year's difficult market conditions, yen-denominated bonds, medium-term notes and floating-rate notes have all flourished.

According to data supplied by Euromoney Bondware, the volume of new eurobond issues in the first nine months of 1994 totalled an equivalent of \$282.8bn, down from \$304.4bn in the same period last year, although still ahead of the \$212.5bn of the first nine months of 1992

Within that total, however, the volume of fixed-rate new issues fell by \$47.8bn to \$185.9bn, a victim of expecta-tions of higher inflation and the turn upwards in world

interest rates.
The reverse side of this trend lownwards in fixed-rate issues has been an explosion of growth in floating-rate notes. FRN issuance totalled an equivalent of \$76.4bn between January and September this year, compared with \$49.7bn in the first nine months of last

FRNs offer variable rates of interest which move to reflect changes in short-term money market interest rates. They

	may IN	er <u>limo</u>	Pirst :	First nine_months of			
\$bn	Rank	%	issues	\$bn	Rank	%	İssu
27,94	1	9.88	119	12.73	7	4.18	6
18.94	2	6.70	66	14.48	3	4.76	6
18.33	3	6.48	71	23.38	1	7.68	8
12.69	4	4.49	58	11.40	8	3.75	6
12.64	5	4.47	83	12.99	6	4.27	4
12.31	6	4.35	68	6.54	17	2.15	3
11.64	7	4.12	34	10.10	11	3.32	4
10.68	8	3.78	63	14,19	4	4.66	5
10.06	9	3.56	49	8.61	12	2.83	4
9.81	10	3.47	48	20.35	2	6.69	6
282.79		100.0	1579	304.35		100.0	144
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have, therefore, provided investors with a degree of protection in this year's rising interest rate environment.

Probably the most startling trend, in this year's bear mar-ket, however, has been the rise in the volume of eurobonds denominated in yen. With the yen appreciating against the US dollar and with exceptional volatility in European bond markets, Japanese investors have concentrated on their own currency sector. The result has been a 50 per cent

US\$ Yen Sterling D-Mark

Eurobond Iss

25.90 22.23

19.77

12.54

increase in yen-denominated issues, to \$46.9bn in the first nine months of 1994. The Italian lira is another

currency sector which has returned to favour this year. The equivalent of \$13.9bn worth of new eurolira bonds were issued between January and September of this year compared with \$10bn worth over the same period in 1993. After sharp falls in Italian government bond prices earlier in

t stabilised in recent months.								
UES BY CURRENCY								
ic. of stues	1993° Rank	Total raised (Sbn)	No. of Issues					
547	1	113.06	557					
370	4	31.11	167					
115	3	35.83	166					
82	2	41,31	114					
72	5	28.92	112					
106	7	9.99	69					
104	8	24.79	135					
50	8	9.64	42					
28	٥	E 10	17					

Other European currency sectors have experienced sharp falls in eurobond issuance as demand has evaporated at the prospect of higher inflation and rising short-term official interest.

In the D-Mark sector, the equivalent of \$22.2bn worth of eurobonds was issued in the first nine months of this year, against \$41.3bn in the same period last year.

Fan Backstro

The sterling sector, which saw the first rise in official short-term interest rates last month, saw issuance between January and September of \$25.9bn, against \$35.8bn in the same period of 1993.

Of the top eurobond houses, Merrill Lynch seems to have been the most successful in coping with these difficult and changing market conditions.
It lead-managed the equiva-

lent of \$27.9bn worth of euro-bonds between January and September, an almost 10 per cent market share, compared with \$12.73bn, or about 4 per cent of market share, at the same stage last year. The direction the eurobond

markets will take over the remaining months of 1994 is not clear. Whether the yen sector remains in vogue will depend, in part, on the perfor-mance of the yen against the With European interest rates

headed unwards, however, European currency sectors will likely remain in the doldrums, while FRNs can look forward to continued popularity.

NEW INTERNATIONAL BOND ISSUES

Borrower	a .	Maturity	wg.	Price	*	abusaq pb	ONL IGHT	Borrower	MICUM M,	Maturity	Corpor	Price	Yield %	Launch spread bp	Book rutner
US DOLLARS					_			<u>Ital</u> ian lire							
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Korea Davelopment Bankf)	500			100.00A	8.090	**************************************) Herriii Lynch Inti. CS First Boston	AUSTRALIAN DOLLARS							
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Will they tell you first?

Eddie George – U.K.

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NEW YORK

Muted sighs of Dow Jones Industrial Average relief after **FOMC** meeting

The sighs of relief when the Federal Reserve decided against an immediate credit tightening last week were muted. The leading market indices managed to add a few points in the aftermath, but most analysts expect them to reverse course before too long.

This week it may become more apparent why the enthusiasm of investors has been restrained, even though few had predicted an early move by the Fed, and not many would have welcomed one.

Interest rates are approaching a level at which the appeal of equities would diminish, analysts say. With that in mind, the stock market is closely tracking the yield on the benchmark 30-year government bond, which is sure to rise or fall in response to any change in monetary policy.

Most investment strategists see the 8.00 per cent level as a red flag for equities. Late on Friday, the long bond was bid at about 7.83 per cent. compared with 7.79 per cent before the Federal Open Market Committee's policy-making session on Tuesday

When the FOMC meeting ended with no statement – save a terse announcement that the meeting had adjourned - Fed watchers were quick to put an unfavourable spin on the form chosen by the central bank to frame its traditional reticence.

The statement was interpreted as a signal that the FOMC had authorised Mr Alan Greenspan, the Fed chairman, to increase rates as soon as he sees irrefutable evidence that the economy is growing at an unmanageable pace. He may not have to wait very long.

Frank McGurty

23

This week brings the most keenly watched economic report of the month On Friday, the Labor Department will ease September employment data which is expected by analysts to show gain of 250,000 in non-farm payrolls. An excessive rise may not cause Mr Greenspan to act immediately. He may want to consider next Friday's data on industrial production before making a decision. But a big jump in payrolls is likely to trigger an instant reaction in the stock market, as investors

anticipate what would then seem to be A month earlier, Wall Street was pleasantly surprised by a payroll increase of just 179,000, which helped lift share prices to their mid-September highs and perhaps persuaded the FOMC to stand pat last week.

This time, however, a stronger than expected surge in August industrial production suggests that manufacturers may have taken on more workers in September than analysts have calculated.

Against this unfavourable backdrop, the third-quarter reporting season has arrived. Wall Street is expecting strong results. If this week's first arrivals fail to impress, the negative sentiment could spill over into related stocks.

LONDON

Vulnerable to fears of further tightenina

Fund managers and stockbroker analysts face an uncomfortable Monday morning. The third quarter of 1994 has come and gone, leaving little behind in the way of significant equity performance and with market fears of a tightening in Federal Reserve credit policy increased by the latest data on US gross domestic product and housing

Not the best opening to a final trading quarter, which requires the UK market to gain up to 20 per cent if it is to meet the most optimistic of City forecasts for the FT-SE 100 Index at the year-end. With at least two leading international investment bankers still prepared to compare October 1994 with October 1987, even if they do finally reject the comparison, it is not surprising that some nervousness is creeping into analysts' forecasts.

S.G. Warburg has taken the plunge and cut its year-end Footsie forecast from 3,500 to 3,250 - "a more plausible central assumption", says the Warburg strategy team, in view of the absence of significant recovery of confidence in global bond markets. For Footsie 3,500, Warburg says we will all have to wait until December 1995; no comfort at all to those houses still holding firm to this target for the end of this year.

Rising bond yields have returned to haumt the UK stock market, perhaps even surpassing corporate earnings uncertainty as a governing influence Kleinwort Benson Securities sees the London equity market as particularly vulnerable, and has cut the UK weighting of its recommended equity allocation from 12 to 10 per cent

Terry Byland

1,500 23 Source: FT Grachile

FT-SE-A All-Share Index

Kleinwort is keen on cash (10 per cent recommended), a view that found favour last week with some fund managers, who decided trustees might be impressed if they sold UK equities even if returns on cash are not impressive.

Leanings towards cash are echoed by UBS in its comparison of the present market scenario with that of 1987. It rejects any suggestions of a major disaster, but says that worries over equity valuations, a weak US currency and high real interest rates could drive investors to the short end of global government bond markets.

Goldman Sachs, the other house to refer back to 1987, also says "short-term oriented investors might usefully boost their cash holdings". For the medium term, Goldman is optimistic on equities believing that US economic recovery will last at least into 1966.

Nor are these uncertainties mere

long-range views. The UK stock market has proved itself still highly vulnerable to fears of further tightening in global credit policies. This Friday's announcement of US payroll data, expected to be strong, could trigger a further aggressive tightening by the Fed, "not just in October but subsequently", according to Kleinwort. International offerings

Russian 'blue chips' in search for pioneers

(RNGS), a Russian oil and gas construction company. seeking to raise \$25.5m by selling 3.7 per cent of its shares to international investors, the news did not grab any head-

However, in a week in which managers of five "self-styled" blue chip Russian companies came to London to present their businesses to potential international investors, it provided another reminder of Russia's status as an increasingly fashionable emerging market.

In spite of huge risks, includ-ing widespread crime and a primitive stock market, more than \$500m a month in overseas money is now flowing into Russian companies, attracted by returns of several hundred

Several funds, most of them launched this year, allow institutions to buy into Russian companies, often through the over-the-counter market (which accounts for the bulk of stock market trades). These have helped crystallise inves-

Baring Asset Management hopes to launch a fund of not less than \$100m later this month, following in the footsteps of companies such as Framlington, which raised \$66m with its Framlington Russian Investment Fund last December, and Fleming, which launched its \$55m Fleming Russian Securities Fund last month.

The company announcing its capital-raising plans this week. RNGS, is following in the footstens of Gazprom, the largest The government two months ago appointed Kleinwort Ben-

Gazprom's shares to overseas investors, either through a private placement or interna-RNGS, the legal successor to the Soviet Ministry for Oil and

son to sell up to 9 per cent of

Gas Construction, is being advised by Geneva-based Rhône Finance Desperate for capital, many

Russian companies could follow suit. Many of the biggest are now beginning to organise their accounts and other operations more efficiently. Ms Beth Hebert, fund man-

ager for the Fleming Russia Securities Fund, notes that last week's "blue chip" roadshow in London signalled a sea change in attitudes in Russian

"It is not very often you get a chance to hear directly from these companies. It is quite a change from where we were a few months ago when people didn't even return phone

kerage which organised the meeting, said a number of Russian companies are preparing to issue global depositary receipts from January next

Ms Danielle Downing, a director of CA, said she expects Russian banks, which are more accustomed to producing audited accounts and have rel atively strong balance sheets, to be among the first categories of companies to issue

Later in 1995 and 1996, Russia's huge utilities and energy companies could follow. As well as UESR, Lukoil, the country's biggest oil company, is one widely tipped candidate

GDR issues may increase the acceptability of Russia to a wider spectrum of investors, but mainstream investors are likely to remain on the side lines for sometime.

Mr Gary Fitzgerald, head of emerging markets at Framlington, says that most investors in Russia at the moment are those prepared to accept

Mr Jim Mellon, managing director of Regent, is bullish but warns: "This is absolute pioneer stuff. Its real acorn investment. There are bound to be disasters on the way."

Richard Lapper

OTHER MARKETS

FRANKFURT

After today's unification holiday, the market will increasingly be influenced by opinion polls ahead of the federal election on October 16. UBS expects a continuation of the volatility in the stock market to be combined with a sideways trend in the run up to the polls.

On the corporate front. Allianz holds its annual meeting on Wednesday while Thursday and Friday bring the annual meeting of the chemical association. UBS says that volume in the domestic chemical sector was up 4 per cent in the first half of this

Given that the usual seasonal downturn in the third quarter did not happen this

year, positive indications might be given for the last quarter of 1994. August industrial production and manufacturing order figures are due on Thursday.

James Capel expects a 0.6 per cent rise in industrial production, noting that recent rises in industrial orders point to continuing strength in production. It forecasts a 0.5 per cent increase in overall manufacturing orders, noting

With the mostly good corporate reporting season now over, the debate over the government's budget proposals

MILAN

will rumble on this week James Capel says that the dominant issue in its European equity strategy is one of earnings recovery, which it expects to support substantial market advances over the next year to 18 months.

He said that retail banks

would bear substantial costs of

adaptation, but the main reve-

nue losses would be felt by

wholesale banks, which would

suffer a loss of income from intra-European currency

Mr Isamu Koike, managing

director of the Industrial Bank

of Japan, said that Japanese

hankers were more confident

that they had identified the

size of bad debts stemming

\$136bn of non-performing loans

held by the 21 largest banks

would "not be resolved over-night" but Japanese banks'

earning capacity should enable them to recover without gov-

ernment intervention.

Mr Koike said that the

from the "bubble" economy.

The broker forecasts a 50 per cent recovery in earnings per share in 1995 in the Italian corporate sector, driven both that, encouragingly for the sustainability of the recovery, by volume demand and a the improvement in orders was reduction in variable costs increasingly spreading to the James Capel believes that the short-term risks remain

considerable and could depress

market performance further. The heterogeneous nature of the ruling coalition and opposition from the unions might soften the proposed budget cuts aimed at correcting the fiscal imbalance.

The long-term outlook, with recovery in output and earnings, and a budgetary position that was certainly better than that of Sweden. could be promising for equity market returns, says the broker.

At present, however, it maintains the view that other European markets offer growth prospects and value at lower risk, although individual stocks have good growth

STOCKHOLM

new government to implement

questions over the near-term

pressure on margins of the

banking system as a whole.

In the longer term, the

Stadshypotek's ability to fund

backing from January 1 1995.

its own liabilities without state

austerity plans raises

markets will focus on

The market has little in the Investors remain cautious over way of results to provide focus the direction of the yen and this week. announcements of revised Friday, however, will bring

the listing of a SKr3bn tranche Although share prices failed of Stadshypotek, the country's leading provider of housing to react to most of last week's upward revision Unibank Securities says that announcements, investors concern over the determination of the country's have not missed the

TOKYO

opportunity to sell on downward earnings revision While buying by public pension and insurance funds is

expected to support the 225-share Nikkei average until the listing of Japan Tobacco later this month, a further fall of Japan Telecom could trigger

HONG KONG

Property company shares are likely to remain a key feature of trading in the colony this week as the sector rounds off interim corporate earnings writes Emiko Terazono. its reporting season with the announcement of full-year figures by Sun Hung Kai

Properties on Friday, writes Louise Lucas. The sector took a tumble at the end of last week after Cheung Kong, the property development company controlled by Mr Li Ka-shing

announced pre-sale prices for apartments in a New Territories development. These proved sharply below

CURRENCY SPOT

In response, the Hang Seng index fell 1.9 per cent on Friday, wiping out the benefit of cumulative rises seen during the four previous sessions and leaving the market 1.2 per cent lower on the week.

This month's land auction is also expected to generate little excitement. Share prices could continue

to trend lower on concerns about the over-heating economy in China and the poor state of Sino-British relations. investors will also be looking to governor Chris Patten's policy speech on Wednesday for any signals of plans to improve co-operation between

Compiled by Michael Morgan

EXPIRY

COMPANIES & FINANCE

Banks lending to companies at less than cost of capital

By John Gapper in Madrid



The excess of capital in the banking system is leading to banks lending money to large compa-Conferences nies on terms

which only cover "a modest proportion" of the cost of capital, according to Mr David Harrison, the senior general manager for cor-porate banking at Lloyds Bank, said that credit losses in the

early 1990s had "to be regarded as once in a lifetime acts of God" to justify recent loan pri-Mr Harrison told the Financial Times conference on international banking in Madrid that there were, nonetheless, trends in corporate banking which allowed Lloyds to main-

tain its commitment to the These included the chance of istic.

By Nikki Tait in Sydney

Maytag, the US home

appliance manufacturer, is

abandoning plans to float its

Australian and New Zealand-based white goods and floor

ration and weakness of the

Australian stockmarket, especially for new offerings, and said it could see greater value

in retaining the operations.

rather divesting them "into a

rumours that the sale was in

trouble. Earlier in the week.

there was speculation that the

price at which the shares were

to be sold might have to be cut

from A\$1 to 85 cents because of

lack of interest among institu-

The decision to abandon the flotation of Hoover Australia follows several days of

down market".

care appliance operations. It blamed the recent deterio-

Maytag decides against

Australian flotation

forming partnerships with cus-tomers to design tailored products, such as cash management systems, which banks could then offer to a wider market knowing that they had

been tested. He defended the use of overdrafts by UK companies despite supervisory calls for longer-term finance. "With luck, the atmosphere will improve as the recession recedes - the overdraft is too useful to be abandoned," he

Mr Onno Ruding, vice-chairman of Citicorp, said that monetary union in Europe was "not dead, but carries a serious possibility of being implemented around the year 2000"

by five or six EU members. However, technical factors such as the need for banks to have five years' warning of the introduction of a single currency meant that the original Maastricht Treaty timetable of full union by 1999 was unreal-

Maytag first announced plans to sell the businesses in

May, saying it would prefer to

do so by way of a stockmarket flotation. The operations were

formerly part of the Hoover group, which was taken over by Maytag in 1988.

to have about 18 per cent of the white goods market in its

home country. Analysts had

expected the sale to raise

between A\$100m (\$73m) and

Shell Australia has released

details of the planned flotation

of its minerals business, which

is being packaged into a new company called Acacia

Resources. It said 200m Acacia shares - 100 per cent of the

company's equity would be offered at A\$2 each.

Hoover Australia is reckoned

TANJONG

PUBLIC LIMITED COMPANY

(Incorporated in England No. 210874) NOTICE OF AN INTERIM DIVIDEND

AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that an interim dividend of 3.4 sen per share fafter having taken account of Malaystan Income Tax at 32% in respect of the financial year ending 31 January 1995 was declared by the Directors on 30 September 1994. Subject to the following paragraph, the dividend will be paid on 15 December 1994 to shareholders on record of the Company at the close of business on 24 November

Any employee of the Company who has exercised, or wishes to exercise, the option in subscribe for shares in the Company granted to such employee under the Company's Employees' Share Option Scheme should note that an employee exercising such an option is not entitled to an internal dividend if it is declared before the date of the employee's exercise of option.

in any event, the Register of Members of the Company will be closed from 25 November 1994 to 30 November 1994 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend. Registrable transfers received by the Company's Branch Registrars in Malaysia, Signet & Co. Sdn Bhd, at 102-3. 1st Floor, Kompleks Antarabages, Islan Salam Isnail, 50250 Knala Lumpur, Malaysia, or the Company's Principal Registrars in the United Kingdom. Independent Registrars Group Limited, at Broseley House, Newlands Drive, Witham. Essex CMS 2UL, up to the close of business at 5.00 p.m. on 24 November 1994 will be registered before entitlements to the dividend are determined.

BY ORDER OF THE BOARD David Kuok Shagamy Rama Joim Secretaries

17th Floor Menara Boustead Jalan Raja Chulan 50200 Kuala Lumpur Malancia

SOCIETE GENERALE USD 200.000.000 SUBORDINATED STEP-UP FLOATING RATE NOTES DUE 2008

For the period September 30, 1994 to December 30, 1994 the new rate has been fixed at 5,75 % P.A. Next payment date:
December 30, 1994
Coupon nr: 4
Armount:
USD 145,35 for the
denomination of
USD 10 000
USD 1453,47 for the
denomination of
USD 100 000

RPS Residential Property Securities No.3 PLC 195,000,000 £150,000,000 Class A2 Notes

45,000,000

Mortgage Backed Floating Rate Notes due 2025 In accordance with the provisions of the Notes, notice is bereby given that for the three month period 29th September 1994 to 29th December 1994, the Class Al Notes, Class Al Notes and Class B Notes will carry an interest rate of 6.225%, 6.095% and 7.125% per annum respectively. The interest payable per £100,000 Note will be £949.88 for the Class Al Notes. £1,519.58 for the Class A2 Notes and £1,776.37 for the Class B Notes.

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG .



To Advertise Legal Notices

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market expectations and those the two governments. of recent pricings of similar

End of Month S.G. Warburg Warrant Valuations as at 30th September 199

	Single Stocks			,			
	1 ~	6 "		40.43	40.00		10.1 1 - 04
	BHP Coles Myer	Cil Cil	AUD AUD	19.63 4.17	19.50 4.10	1.61 0.64	29th Jun 95 23rd Nov 95
	Berner	걸티	CHF	1210	1250	16.60	20th Jun 96
	Danzas	Cali	CHF	1710	1600	42.00	20th Jun 96 2nd Aug 96
	Cheung Kong	Çall	HKD	37.60	39.80	1.11	8th Mar 96
	Cales Light & Power	Call	HKD	39.40	41.00	0.93	2nd Jan 96
	Dao Heng Bank Hong Kong Electric	Call Call	HKD HKD	26.30 25.40	32.00 29.20	0.40 0.39	25th Jan 96 6th Feb 96
	Hous Kons Telecom	تتح	HKD	15.50	15.60	0.29	24th Nov 95
	Hong Kong Telecom Hutchison Whampon	Čili	HKD	36.50	36.00	0.85	21st Dec 95
	Hysan Development Malayan Bank	Call	HKD HKD	15.50 36.50 21.70	17.00	7.45	6th Sep 95
	Malayan Bank	<u>C4</u>	HKD	17.40	13.05	6.18	21st Dec 95
	Sun Hung Kai Properties Metallgesellschaft	Call Call	HKD DM	57.80 144	50.00 250	1.85 1.37	2nd Jan 96 31sr Oct 95
	Philips Electronics	čiji	NLG	\$3.10	54.18	6.07	8th Sep 95
ı	Mondadori	Čili	iπ	15230	16830	321	22nd Dec 95
	Seipem	Capped Call	ITL	3635	4246	203	TOrk Mar 95
	Telecom Iralia 1	الح	皿	4408	3832 5237	<u> 1159</u>	14th Jan 96 28th Jun 96 14th Sep 95
	Telecom Italia 2 Stet 1	Call Cali	ML ML	4408 4843	3247 4725	383	28th Jup 96
ĺ	Ster 2	ĞÜ	m	4843	6770	861 299	28th Jun 96
ı	Thai Farmers Bank	ĞÏ	THB	164	127.80	60.90	17th Jan 96
	Baskers					V0.70	1.111 3-11.20
	Australian Insurance	Call	AUD	105	101 67		
	European Airlines 1	Gil		105 418	101 <i>-57</i> 320	1.93 10.51	3rd Jan 96 3rd Feb 95
	European Airlines 2	čii	Ę Ę Ĺ	418	468.91	5.30	9th Mar 96
	European Multi-Media 1	Call		2035	2028.57	2.02	28th S-n 95
	European Multi-Media 2	الح	€	2035	2475	0.87	28th 5ep 95
	European Steels German Mechanical Eng	Call Call	DM DM	3962 2635	2550 3000	144	12th Jan 95
	UK Banks	Ğİ	£	100	3000 114.75	212 0.31	3rd June 96
	UK Insurance	Call	ī	82.99	86.00	1.14	1st Jun 95 20th Mar 96 9th Nov 95
	UK Food Retailers	للح	E E E	104.50	106.25	1,28	9th Nov 95
	UK Pharmacenticals 1 UK Pharmacenticals 2	Čali Cali	Ę	96 96	98.05	0.42 1.72	26th Jan 95 20th Nov 95
ĺ	UK Support Services	Gii	Ť	79.3	87.50 107 . 50	1.72 0.06	20th Nov 95
1	UK Water Companies	الي	Ē	96	104.75	0.31	2nd Aug 95 5th May 95
ı	Italian Industrials 1	ÇıΪ	ΠL.	20138	19665	376	31er Aug 95
1	Italian Industrials 2 Italian Recommendation	બ	ш.	20138	24549	122	31st Aug 95 13th Oct 95
1	Swedish Capital Goods	Call	ITT. SEX	388653 101823	489229 112054	393	13th Oct 95
	Asian Oil Sector	Ğii	USD	1.13	1.00	13.31 0.32	20th Oct 95 23rd Jun 96
1	European Commodities Indo-Chins	C:II	บรอ	868	3600	8.05	10th Jun %
ı	Indo-China	Çıll	USD	0.91	1.00	0.09	Sth Dec 95
1	Korean Blue Chips Singapore Shipyards	Call Call	USD	12892 9.32	KW9000	7.30	22nd Dec 95
ı	Taipei Property	Call	NTD	1123	SGD10.00 800	1.00 510	14th Nov 95
ı	Taipei Property Taiwanese Blue Chip	Ğİ	NTD	1286	1000	354	2nd Jun 96 30th Mar 95
	Indices						
Į	FISE Mid-150 Index	Call		2405	2000		
Ì	FISE Mid-250 Index	GII	7	3495 3495	2900 3470	6.33	17th Mar 95
ı	FTSE Mid-250 Index	čil	Ž	3495	3670	1.96 1.04	17th Mar 95 17th Mar 95
ı	FISE Mid-250 Index	وآآ	44444444	3495	3900	0.42	17th Mar 95
I	FTSE Mid-250 Index FTSE Mid-250 Index	للم	Ę	3495	3945	1.59	17th Jan 96
١	FTSE Mid-250 Index	Put Put	ż	3495 3495	2900	0.05	17th Mar 95
ı	FTSE Mid-250 Index	Put	Ĭ	3495	1270	1.94 1.12	17th Mar 95 17th Mar 95
1	FTSE Mid-250 Index	Pat	Ĺ	3495	3900	4.64	17th Mar 95
ļ	BCI-30 BCI-30	Cali Pur	DEM DEM	15.70	3470 3270 3900 16.94 16.94	2.62	19th (an 96 19th)an 96
1			DEM	15.70	16.94	3.04	19th]an 96
ļ	Relative Performa						
ı	investor/Core Holdings	إلعي	SEK	-1.54%	+/-0%	136.10	21sr Dec 95
ı	iavestor/OMX Volvo/OMX	Call	SEK	+0.28%	-√-0%	136.10 134.20	21st Dec 95 23rd Feb 95
ĺ	Volvo/OMX	الادي الم	SEK SEK	39.96° 39.96°	-10% -/-0%	413.10	Z3rd Feb 95
١			JUN	- 37.70 %	e/-U 7o	328.10	23rd Feb 95
ı							

S.G.WARBURG S.G. WARBURG GLOBAL

EQUITY DERIVATIVES FOR INFORMATION CONTACT JUSTIN CHITTENDEN ON 071-860 0517 REUTERS PAGE: WARA

Q, HYDRO-QUÉBEC U.S. \$200,000,000 Floating Rate Notes, Series 1 J. Due October 2005

PROVINCE DE QUEBEC NOTICE IS HEREBY GIVEN that for the Interest Period 3rd October, 1994 to 3rd April, 1995, the interest rate will be \$437579 per annum. The Interest payable on 3rd April, 1994 against Coupon No. 3 will be U.S.\$137.45 per U.S.\$1,000 Note and U.S.\$2,719.00 per U.S.\$100,000 Note. Bank of Montreal

a Calculation Agents And Custober, 1981

KLEINWORT BENSON JAPANESE WARRANT FUND, SICAV

Registered Office: 14, rue Aldringen, Luxembourg Commercial register: Luxembourg, Section B n° 37,305

The Annual General Meeting of Shareholders of KLEINWORT BENSON
JAPANESE WARRANT FIND, SICAV, will be held at its registered office in Luxembourg. 14, ne Aldringen, on 12th October, 1984 at 11 00 a.m. for the purpose of considering and voting upon the following agenda:

1. To consider the Additor

2. To consider the statement of net assets and the statement of changes in net assets for the period ended 30th June 1994.

3. To discharge the Directors with respect to the performance of their duties during the year andod 30th June 1994.

4. To elect the Directors and the Auditor to serve until the next annual general meeting of shareholders.

5. Any other business that might properly come before the meeting.

The shareholders are advised that no quorum for the statutory general moderny is required and that decisions will be taken at the majority of the shares present or represented at the meeting.



Market-Eye









Nafin Finance Trust II U.S. \$129.880.000 Floating Rate Notes due 1999 For the Interest Period 30th September, 1994 to 3rd January, 1905 the Nores will carry a Rate of Interest of 7.73125% per annum. The Coupon Amount per original U.S. \$10,000 Note will be U.S. \$128.96 payable on 3rd January, 1995. 3rd January, 1995. Bankers Trust Company, London Agent Ben

Valorations

Traffic Const.



In the past year, we've seen our storage business grow 30%, our PC

business grow 100%; and our

Alpha AXP sales increase 164%.

Some people think those figures already represent a comeback. To us, it's just a beginning. Digital is changing from a company famous for complicated decision-making, to one famous for decisiveness.

At our new Computer Systems Division, we're applying the lessons learned in our PC operation to our core business. The result: a division with its own manufacturing, engineering, sales and marketing-one that lets us pay more attention to your needs, with systems unequaled in their openness and range of choice.

That choice begins with two equally supported platforms-Intel™ CISC for very high volume and high performance PC clients and servers, and our 64-bit Alpha AXP™ RISC for absolutely blinding performance in workstations and servers. And we offer the only products you can convert from CISC to RISC.

Now the industry is finally beginning work on 64-bit RISC, and we're happy to see this endorsement of Alpha AXP. But HP and Intel say it'll take a few years. We have 64-bit RISC now. With 6,000 applications.

OUR SYSTEM: MANY SYSTEMS

Fact is, Digital is a multiple operating system company because that's what most of you are. In DEC OSF/1, we have the most standards-compliant, highest quality UNIX® in the industry. It gives you outstanding high availability features through clustering and the fastest recoverability of any UNIX on the market. And ours is the only commercial 64-bit UNIX system, which experts say will keep us the price/performance leader for years.

We offer OpenVMS™ because millions need it, as it provides the best clustering capabilities on

the market for high-security, work. We plan to support it, invest in it, keep customers fully it to new customers as well.

What's more, Digital has partment, Windows NT™ Workstation and Server.

All these system options give you one very important thing. Choice without compromise.

OUR SOFTWARE: TRULY OPEN

Our openness even extends to software. One excellent example is

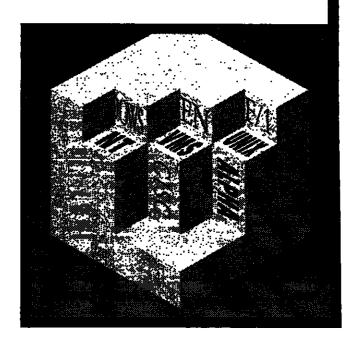
high-throughput, business-critical operational with it, and introduce

nered with Microsoft® to bring you

our PATHWORKS™ application, which lets you connect with anybody on virtually any network operating system, no matter what client you're on. And our LinkWorks™ software lets you share and edit work regardless of application, on most any network operating system.

OUR STRATEGY: YOU CALL THE SHOTS

This multiple platform/multiple operating system strategy means we never have to force a migration on you. You choose what's best now and we support it. You decide when, where, or if you want to migrate and we provide what you need. Simple.



THE MOST ADVANCED TECHNOLOGY

Nothing proves this better than our pioneering 64-bit RISC architecture. Where else in this industry are so many competitors so far behind a single leader? Right now, our Alpha AXP clients and servers offer the highest performance and the best price/ performance you can buy.

THE EASIEST TO DO BUSINESS WITH

One thing that definitely isn't changing is our world-class service and support. To be even more responsive, we're dramatically expanding our relationships with resellers, VARs and System Integrators. Of course, if you need a direct relationship, we're here, with our partners, delivering the products. Our goal is to be the easiest company to do business with. With the products and support that will keep you competitive into the 21st century.

Just like us.

But don't worry,

we're planning a

comeback.

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Stocks Traded 2.5m 2.3m 2.3m 2.1m 2.1m

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USD 150,000,000 **SOLVAY FINANCE** (Bermuda) LTD Floating Rate Notes due 1998 Serie 2: USD 30.000.000 6.1875% p. a Interest Rate

Interest Period September 30, 1994 March 30, 1995 Interest Amount due on Merch 30, 1995 per USD 500,000 USD 15,554.69

BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank

USD 200,000,000 BANESTO FINANCE LIMITED Subordinated Floating Rate Notes due 1994

5,95% p. a. Interest Period September 30, 1994 December 30, 1994 Interest Amount due on December 30, 1994 per USD 1,000,000 USD 15,040.28

BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank



Crédit Commercial de France Lire 150,000,000,000 Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from September 30, 1994 to December 30, 1994 the Notes will carry an Interest Rate

of 8.375% per annum. The Coupon Amount payable on the relevant Interest Payment Date, December 30, 1994 will be Lire 105,851

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MONDAY

Awful lot of voting in Brazili



Workers Party.

42

Brazil holds its biggest set of elections since the 1950s with 1,654 jobs, including that of president, being con-

tested by more than 12,000 candidates. Attention will focus on the race for the presidency and whether the front-runner, former finance minister Fernando Henrique Cardoso, can win outright in the first round by polling more votes than all his competitors combined. His chief rival will be Luiz Inácio Lula da Silva of the left-wing

Voting also takes place for two-thirds of the senate and all the lower house of Congress, as well as for state governors and parliaments. Counting is expected to take between 10 and 15 days.

IMF meetings: As part of the annual meetings of the International Monetary Fund and World Bank, being held in Madrid, the development committee will consider the effectiveness of aid programmes to the developing world and examine how the Uruguay Round trade liberalisation measures will affect developing nations.

Nelson Mandela, President of South Africa, on a trip to the US, addresses the United Nations General Assembly in New York

Rubber: Negotiations resume in Geneva (to Oct 14) on a rubber commodity pact to replace the accord that expires in December. It is the only remaining international commodity pact with buffer stock arrangements to stabilise prices. But consumer and producer countries differ sharply on the intervention price levels and range for the new agreement

Labour Party conference: Britain's main opposition party opens its first annual conference since the election of Tony Blair as leader at the seaside resort of Blackpool in north-west England (to Oct 7).

Mr Blair is guaranteed a standing ovation when he addresses delegates on Tuesday, and is certain to win endorsement for a policy shift towards support for the market economy. But he will have to fight off leftwing demands for a commitment to a specified minimum

Eurotunnel starts a limited passenger car shuttle service though the Channel tunnel for invited shareholders and VIPs including its bankers, MPs, MEPs and representatives of the travel trade. The car shuttle operation is starting nearly 18 months later than planned and foreshadows the launch of a full turn-up-and-go service expected to begin in mid-November. Eurostar passenger trains are not expected to start service before late October.

FT Survey: Building Services.

Holidays: Australia (Labour Dav). (National Foundation Day).



TUESDAY

Yeltsin marks uprising

President Boris Yeltsin of Russia is due to hold a press conference to mark the first anniversary of the failed unrising

of hardline parliamentarians and the storming of the White House in which 140 people were killed. Mr Yeltsin is expected to spell out his political agenda as the new parliament begins its autumn session this week.

Madrid Meetings: The formal annual meetings of the two Bretton Woods institutions, the International Monetary Fund and the World Bank, start with keynote addresses from Michel Camdessus, IMF managing director, and Lewis Preston, president of the World Bank group. The meetings continue until Thursday.

European Union foreign ministers, holding their monthly gathering in Luxembourg, will look at plans to help east and central European countries prepare their economies and legislation for membership of the Union. The ministers will also review relations with former Soviet republics, in particular Ukraine, whose foreign minister they have invited for dinner.

Lloyd's of London: Judgment in the Gooda Walker case, the biggest legal action by loss-making Lloyd's Names, is expected today. A group of 3,095 Names, the individuals whose assets support the markets, are suing 71 Lloyd's agencies for £629m in losses sustained by syndicates managed by the Gooda Walker agency. During a case which was heard during the summer, Names alleged negligent underwriting was responsible for their losses

Council of Europe: President Ion Iliescu of Romania begins a two-day visit to Strasbourg, where he will meet senior representatives of the Council of Europe, including secretary-general Daniel Tarschys. Because of its controversial human rights record, Romania was the last of central Europe's former communist states to join the Council a vear ago. It continues to raise concerns over Romania's treatment of its ethnic, religious and sexual minorities, and its judicial system.

Saleroom: Christie's in London is auctioning more than 230 original watercolours painted by various artists in the 1860s for John Gould's volumes The Birds of Great Britain (1860-73), carrying estimates of between £2,000 and

Gould is considered as important to English ornithology as John James Audubon is to North American. The collection was assembled by the naturalist and traveller Frederick du Cane Godman. It is rare for such desirable drawings to appear on the market and the appearance of so large a hoard has sent Gould collectors into a frenzy. The estimates should be much exceeded.

FT Surveys: New Broadcast and Industry.



US-N Korea talks resume

eliminating Pyongyang's capacity to make nuclear weapons are due to resume in Geneva, Robert Gallucci, US had been made but neither side wants the talks to collapse. Negotiations centre on the terms on which the US will organise the supply of light-water atomic reactors to replace North Korea's graphite-moderated ones, which produce more of the plutonium used in nuclear bombs.

European Union environment ministers, on the second day of a two-day session in Luxembourg, discuss with their counterparts from six east European states how their environment laws and policies can be



also be attempting yet again to agree on a strategy to combat global warming. Plans for a mixed carbon and energy tax of up to \$10 per barrel of oil equivalent have been

blocked for nearly three years by UK opposition to the principle of an EUwide tax, and the misgivings of southern member states and France about its effects. Efforts are now focused on jointly agreed national measures to cut carbon dioxide emissions.

Rostenkowski, once powerful chairman of the House ways and means committee, goes to court to seek dismissal of the 17-count corruption indictment

Frankfurt book fair, the leading annual event for publishers, begins (to Oct 10). In this, the 46th year, the theme is Brazil.



Nashville, Tennessee, plays host to the 28th Annual Country Music Association Awards.

FT Survey: FT Exporter (Europe

ECONOMIC DIARY

WEDNESDAY

High-level US-North Korea talks on ambassador-at-large, said last Thursday after a week of talks that little progress

Chris Patten, governor of Hong Kong, gives his third annual policy speech, outlining his plans for the colony. He is expected to give a progress report on pledges made last year and announce a fresh round of spending. The real focus of interest, however, will be on any proposals for improving relations with Beijing. This could prompt Mr Patten to revise his views on working with Beijing-appointed bodies such as the Preparatory Committee.

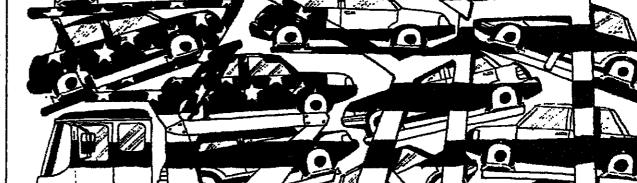
brought into line with the EU's.



US congressman Dan against him on constitutional grounds.



Holidays: Portugal (Republic Day).



The US and Japan agreed "significant" market-opening accords after lengthy negotiations, but could not strike a deal over access to Japan's car market



THURSDAY Paris Motor show opens

The main world show of the autumn opens as new car sales in Europe recover hesitantly from the deep recession of 1993. The show, which runs to October 16, is dominated by Renault and PSA Peugeot Citroen. Last week, Peugeot announced a return to profit after last year's loss.

As carmakers look at trends for cars in the 21st century, Citroën is to show its Xanae concept car. The company says it represents a new approach to automotive design, half-way between a conventional saloon car and a people

British-based Rover Group is to unveil its latest Range Rover 4-wheel drive luxury "off-road" vehicle.

UK economy: The output figures for August will be watched closely by the markets in the light of the recent surge in industrial production. Most analysts expect the monthly rate of manufacturing growth to have slowed slightly in the month, even before September's controversial UK base rate rise. However, the underlying trend

year-on-year rate forecast. European Union commissioner on trade competition Sir Leon Brittan begins a trip to South Africa (to Oct 10).

remains strong, with a 4.6 per cent

FT Survey: Liechtenstein.

Holidays: Australia, Egypt (Armed Day), Syria (Liberation Day).



FRIDAY

US employment data due

Today's US employment data for September provide the first real indica-tor of whether the Federal Reserve's decision to raise interest rates in August has done anything to slow economic expansion. The median forecast in MMS International's survey predicts growth of 250,000 in non-farm payroll employment, with the unemployment rate unchanged at 6.1 per cent.

US congress is scheduled to recess for the mid-term election campaigns. With so many close contests expected, the deadline might actually be met. The Senate is scheduled to return on November 30 for two days of debate on the Uruguay Round Gatt legislation. The House is scheduled to vote on the Round on Wednesday, but its leaders are being urged to postpone the vote until after the elections.

Bernard Tapie, the French politician and soccer boss, is due to make a court appeal against seizure of his art works and furniture by his creditor bank, Crédit Lyonnais.

London fashlon week, highlighting the spring and summer collections for 1995, starts with a reception attended by the Princess of Wales (to Oct 9).

Day of Courtesy: Britain's Polite Society hopes the event will counteract the alienating effects of technology. It says such gadgets as automatic doors, er have to hold each other, reduce human contacts.



WEEKEND

The Socialist-Conservative coalition that has ruled Austria for most of the postwar period looks set to win another mandate in national elections on Sunday, but with its 76 per cent majority

Austria goes to the polls

reduced Rightwing populist Jörg Haider has bounced back after a disastrous referendum campaign in June opposing Austrian membership of the European Union. He could take seats from both traditional parties.

Saleroom: On Saturday, Sotheby's holds its first wine sale in New York, in co-operation with Sherry-Lehmann, owner of a well respected liquor store on Madison Avenue. Sotheby's expects to raise more than \$1m from almost 1,000 lots. Until this year, wine auctions were forbidden in the city.

Kurile islands: A group of Japanese is due to visit the Russian-held island of Etorofu on Saturday. The island is one of three in the Kurile chain off northern Japan seized by the Soviet Union at the end of the second world

The travellers are descendants of island dwellers and wish to visit their ancestors' graves. Russia occasionally allows Japanese to land without visas as a good will gesture, designed to defuse a row over ownership of the three islands.

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Other economic news

Monday: After a week in which the US and Japanese trade talks grabbed the attention of many traders, there will be spate of US and Japanese data for the markets to watch in

days ahead In the US, September's purchasing managers' index will be watched for signs that the recent surge in industrial production is being maintained. In Japan, data on September's car sales is due today

Wednesday: US factory order figures are expected to show a rise in August. Meanwhile, data on German

manufacturing orders, due in the middle of the week, is likely to indicate that orders are growing, particularly in the capital goods sector, although demand for consumer durables remains weak. Friday: The US September non-farm pay roll figures are expected to paint a slightly

believe the underlying trend is healthy. In Japan, August's current account is likely to show that the trade surplus narrowed slightly in the month. Meanwhile. UK trade data is expec ted to show a further narrowing of the trade delicit.

ACROSS

1 A crying need for free trade cut (4,4) 5 Get into bad shape (6)

9 Suggestive of financial aid in hiring charge (8) 10 Having falled to win is pun-ished (6) 11 Sanction law about cider pro-

12 A unique example of scoring 99 when aiming for a century

26 She shows skill in carving ham (6) 27 Russian insect with stripes? 13

14 Postwar conditions? (5,5)

duction (8)

mixed picture of employment

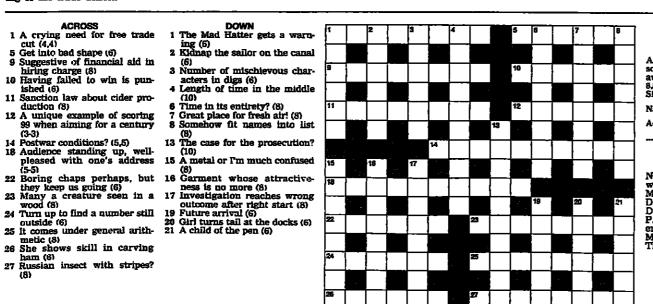
trends, although most analysts

Statistics to be released this week

italy

	Day Released	Country	Economic Statistic	Riedian Forecast	Previous Actual
-	Mon	US	Aug construction spending	0.3%	0.6%
-	Oct 3	,US	Sep Purchasing managers indx	57%	56.2%
-		Japan	Aug Brik of Japan corp s'vice price"	-	-0.3%
•		Japan	Aug Bnk of Japan corp s'vice price"	-	-0.7%
•		Japan	Sep auto sales**	•	12%
•	• •	Japan	Sep Forex reserves*	-	1.9%
		UK	Sep M0*	0.4	0.1%
		UK	Sep MO"	6.3% ·	6.2%
	Tue	US	Johnson Redbook, w/e Oct 1	-	2.5%
•	Oct 4	US	Sep domestic auto sales .	7,2m	7.4m ·
-	•	US	Aug leading indicators	0.6%	0.0%
_		US	Sep domestic light truck sales	5.5m	5.5m
_		Japan	Sep trade balance	-	\$2.5bn
-		UK	Sep official reserves	\$0m	-\$27m
-		UK	Aug final money data		n/a
-	Wed	US	Aug factory orders	3.5%	-2.3%
	Oct 5	US	Aug factory inventories	-	0.9%
_		Germany	Sep unemployment change, west†	-3,000	4,500
		Germany	Aug employment change, west†	6,000	9,000
		Germany	Sep vacancies, west	2,000	3,000
_	Thur	US	Aug home completions	-	1.27m
	Oct 6	US	State benefits, w/e Sep 24	<u>-</u> .	2.84m
		US	M1, w/e Sep 26	-\$1bn	-\$1.3bn
_		US	M2, w/e Sep 26	\$0.3bn	-\$1.1bn
	•	UŞ	M3, w/e Sep 26	Unchanged	\$1.860

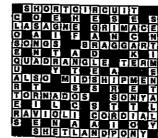
Day Released	Country	Economic Statistic	Median · Forecest	Actual
	UK	Aug manufacturing output	. 0.3%	0.4%
	UK	Aug manufacturing output**	4.8%	3,9%
•	UK	Aug industrial production	0,2%	0.1%
Fri	US	Sep average workweek .		34.5
Oct 7	US	Sep non-farm payrolis	250,000	- 179,000
	US	Aug wholesale trade	<u>.</u> .	-0.4%
	บร	Sep manufacturing payrolis	20.000	-32,000
	US	Sep hourty earnings	0.3%	0.2%
•	US	Sep civil unemployment taté	6.1%	6.1%
	US	Aug consumer credit	\$8bn	\$5.6bn
	Japan	Aug trade balance, IMF	•	\$14,4bn
,	Japan	Aug current a/c, IMF	\$6.3bn	\$11.7bn
	Japan	Aug foreign bond investment	- · ·	\$4.2bn
	NTands	Sept consumer prices indx	2.5%	2.6% .
During ti	he week		· ····	
	Japan	Sep trade balance, 1st 20 days	_	. S2.5bn
	Japan	Sep Bank of Japan bank data	<u>.</u>	-
	Germany	Aug manufacturing orders*	0.3%	0.6%
	Germany	Sep final cost of living*		0.1%
	Germany	Sep final cost of living**		3%
	Germany	Aug final M3		9.8%
	Italy	Sep consumer prices indx official**	3.8%	3.7%



MONDAY PRIZE CROSSWORD

3rd ctr gross domestic product** 1%:

Winners 8.562 Solution 8,562



Of broking and jobbing the Pelikan's fond, See how sweetly he puts your word onto bond. Selikan 🛇

JOTTER PAD

"month on month, "year on year, "seasonally adjusted. Statistics, courtesy MMS International.

No.8,574 Set by DANTE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday October 13, marked Monday Crossword 8,574 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 17.

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